FINANCIAL TIMES

THURSDAY JANUARY 4 1996



orld Business Newspaper

Paris apartments

Why the city is selling up



World economy

at risk

Olympic bonus

The wiring of Atlanta



US politics Staring at history

drops plan to train pilots in Australia

Cathay Pacific, the Hong Kong carrier whose position is under challenge from China, reversed a decision to relocate its training facilities to Australia. It said it would continue to train its pilots in the colony. The airline said costs were the reason for shifting the operations when it made the original decision in September but had reconsidered on com mercial grounds after a last-minute offer of cheap

Chirac presses for reforms to continue: President Jacques Chirac urged his ministers to push on with reform, but the French government's first legislative move of the year - approving a draft law on apprenticeships - was criticised by employers and unions. Page 10

ikea's founder rules out family succes Ingvar Kamprad, Swedish founder of the Ikea furniture store empire, does not want any of his three sons to become chief executive of the worldwide chain. Page 11; Safeguarding the future, Page 12

ITC to challenge tax evasion fine: ITC, India's biggest tobacco company, is to contest in court a Rs7.99hn (\$228m) fine for alleged tax evasion imposed by India's excise commissioner. Page 11;

Spain moves to restrict strikes: Spanish businesses and trade unions have agreed the outline of a pact aimed at improving the country's strike record, one of the worst in the European

Hutchison Whampoa, the Hong Kong-based conglomerate, reorganised its telecommunications interests in a move to improve productivity and cost effectiveness, Page 11

Belgian budget deficit falls: The Belgian government unveiled figures showing a marked drop in last year's budget deficit, and said it remained on course to be one of the first European countries to participate in a single currency. Page 2

France Télécom is seeking around \$500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw about mobile telephone networks. Page 12

Railtrack sell-off to go ahead: The UK government is to go ahead with privatising Railtrack in May despite growing political opposition. Analysis expect the flotation will value the company, which has taken over British Rail's track, stations and signalling, at between £1.5bn and £2.5bn (\$3.85bn). Page 10

Aid group accuses Rwanda of theft: French medical charity Médecins Sans Frontières, expelled from Rwanda, accused the government of theft, say-ing it had confiscated vehicles and communications equipment worth up to \$700,000. Page 4

Six feared dead in Indian bomb blast: A bomb exploded in the heart of New Delhi, killing at least six people and seriously wounding about 20. A little-known separatist group claimed responsibility

neyland clash: A clash at Disneyland Paris left 14 people injured during a union protest for higher wages at the theme park. Page 2

Anti-matter breakthrough: Scientists said they had created anti-matter - previously the stuff of science fiction - for the first time, Physicists in Geneva produced atoms of anti-hydrogen, a kind of mirror-image of normal hydrogen - the first time an anti-matter chemical element has been seen.

Cricket: South Africa were bowled out for 244 by England after a last wicket stand of 73 helped them to a first innings lead of 91 in the fifth and final Test in Cape Town. At the close on the second day, England were 17 for one in their second innings. The first four matches were drawn.

Ford unveils concept car: US carmaker Ford unveiled a futuristic and ultra-economic concept car, the Synergy 2010 (below), at the Detroit motor show. With room for six, the car is loaded with advanced technology and is one-third lighter and 40 per cent more aerodynamic than today's sleekest Ford, Aston Martin U-turn, Page 11; Indian car



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Hong Kong airline White House blames top Republicans for shutdown

The US budget battle turned nasty yesterday as the White House began naming House Republican leaders it charged were responsible for the government shutdown, the impact of which was beginning to spread. Simultaneously the fissures between the hardline House and the more pragmatic Senate wid-

cus came out in flat opposition to a temporary back-to-work motion sponsored by Senator Bob Dole, the majority leader, and approved by the Senate on Tues-

day night.
Another White House negotiating session was planned for yes-terday afternoon, with President Gingrich, the House Speaker, Mr

ened. The House Republican can- Dole, and other leaders of both of preventing a return to work by parties. But its prospects were rendered dim by the war of words which preceded it.

Mr Mike McCurry, the president's press secretary, said it was obvious that most Republicans wanted to end the impasse. He then accused three House Republicans - Mr Gingrich, Mr Richard Armey, the majority leader, and Mr Tom DeLay, the chief whip -

280,000 federal employees and for-cing about 500,000 others to work without pay or on less than full

"It's gruesome what they're doing to the federal workforce and what they're doing to the American people." Mr McCurry

Mr Dole is clearly becoming frustrated by this second govern-

ment closure, now nearly three weeks old. He said on Tuesday night: "We've made our point, people have been gone from their jobs long enough." He added that the House Republicans' attitude was not "helpful". His proposal would put the government back in business until January 12 in the hope that the budget confrontation could be settled by then.
But Mr Gingrich and other

leading House Republicans yes-terday insisted that the government would remain partly closed until there was an agreement to balance the budget in seven years which was certified as achievable by the Congressional Budget Office.
The White House negotiations

Continued on Page 10 Tux of war. Page 9

Northrop bolstered by \$3bn defence deal

Westinghouse will use sale to pay down media debts

By Christopher Parkes in Los Angeles

Northrop Grumman, the Los Angeles-based defence contractor, yesterday won the \$3bn-plus auction of Westinghouse Electric's defence and electronics business, marking a further steo in the reshaping of the US

Melence industry.
Northrop, which makes the radar-evading B2 stealth bomber, will pay \$35n cash and assume a further \$600m in pension-related liabilities associated with the acquisition's 12,000 employees.
Westinghouse, which recently

sold its Knoll furniture subsidiary for \$565m, said total sell-off proceeds to date of \$4.2bn would be used to pay down 65 per cent of the debts incurred in last year's \$5.4bn purchase of the CBS

Mr Michael Jordan, Westinghouse chairman and chief executive, said the deal "capped" a year restructuring plan in which the concern's focus had been shifted to broadcasting and its diversified industrial portfolio had been sharply pruned

The deal could give Westing-house the financing leeway necessary to buy more media busi-

It was hailed yesterday in the defence industry as a crucial step in reinforcing the position of Northrop, which had been considered especially vulnerable because of the group's heavy dependence on the market for high-priced military aircraft

which has been squeezed hard by budget cuts across the world. The deal also tightened the links binding the leading players

in the US defence industry. Northrop's fuselage-building arm was a major beneficiary of a recent \$18bn federal order for McDonnell Douglas's C17 transporter aeroplanes.

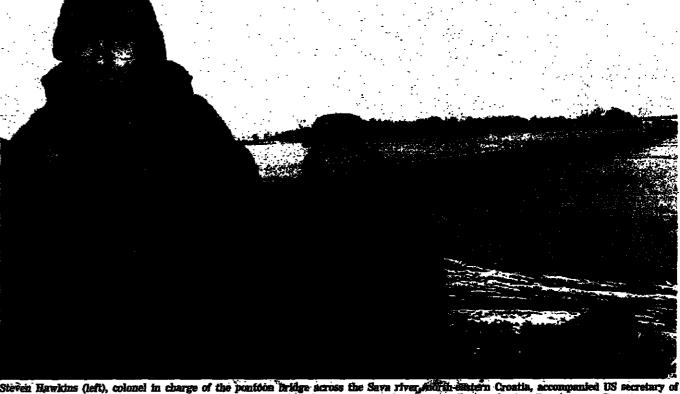
The group, which currently employs 37,000, is also an impor-tant supplier to Boeing, the leading civil aviation concern, and Lockheed Martin.

Moody's Investors Service, which responded to the latest news by putting about \$740m of Northrop group debt under review for possible downgrading, said the Westinghouse businesses - including military and civil radar systems and anti-submarine warfare equipment - had "good earnings prospects and solid operating margins'

Northrop said yesterday that its acquisition, which recorded sales of \$2.6bn last year, had \$3.8bn-worth of firm, long-term contracts with federal and foreign customers and a projected follow-on order book from existing customers of some \$4hn. The group, which last year

turned over \$6.8bn, said it had received \$4.8bm in financing commitments for the purchase, and had last year surpassed its target of reducing net debts by more than \$200m to \$1.6bm. Despite initial dilution effects,

> Continued on Page 10 Lex, Page 10



Steven Hawkins (left), colonel in charge of the pontion bridge across the Sava river that in the Bosnia Perry upbest on Bosnia peace, Page 2

Hopes of further reductions in interest rates and continued low inflation

Markets surge on investor optimism

By Philip Coggan, Markets Editor, in London

Stock markets surged round the world yesterday as investors started 1996 in buoyant mood, looking forward to interest rate cuts and continued low inflation. Shares in Amsterdam, Brussels, Cyprus, Dublin, Frankfurt, Johannesburg, London, Madrid, Oslo and Zurich all recorded intra-day or closing highs after

Wall Street had set the tone with a 60-point gain in the Dow Jones Industrial Average on Tuesday night. The Dow was strong again in early trading yesterday, rising 25 points by 3pm New York time. Interest rates fell across Europe and in the US in December as monetary authorities

attempted to stimulate a slowing world economy. With few signs of inflationary pressure, there may be further cuts early this year. Low interest rates help shares

look for alternatives to holding cash, and because they reduce the borrowing costs of corporations and increase consumers' disposable income, helping prof-

Yesterday's surge is the latest example of the traditional "January effect" when shares rise in the first month of the year. Explanations for the phenomenon vary, but some argue that institutions tend to receive new money for investment at the start of the year.

received a fillip from a stronger US dollar. A rising US currency helps exporters in hard currency countries, such as Germany, and boosts shares in soft currency countries, such as Spain, by allowing their monetary authorities to cut interest rates.

The biggest percentage rise in Europe yesterday came in Switzerland, where the SMI (Swiss market index) rose 2.6 per cent. The Zurich market was catching up with the rest of Europe, having been closed on Tuesday when

European markets yesterday most other bourses were ope In London, the FT-SE 100 Index rose 27.7 points to a new closing high of 3,715.6, having reached an all-time high during the day of 3,719.8, as the market overcame the political worries that dogged

it on Tuesday. Johannesburg, the one non-European market to set a new high, was given a lift by the gold price, which fixed in London at \$393.40. its highest level since last April.

> World stocks, Page 26 London stocks, Page 22

Dresdner Bank staff held in German tax evasion probe

The crackdown by German authorities on tax evasion has led to the arrest of two Dresdner Bank employees suspected of moving funds to Luxembourg. This is the first time Dresdner Bank employees have been taken

into custody following a series of raids on branches of the bank in the past two years. The two men are managers at the bank's Koblenz branch in North Rhine-Westphalia, south of

Mr Norbert Weise, head of the Koblenz state prosecutor's office. said the detentions stemmed from the original raids by the Düsseldorf prosecutor's office. These uncovered possible evidence which led investigators to look into transactions at Koblenz and other regional branches.

Dresdner Bank, which has

reacted angrily to the raids, said

the arrests were apparently not

linked with the wider tax investi-

gation which centres on inves-tors moving deposits abroad to

Instead, they involved alleged manipulation of invoices by a local businessman - who is also in custody - so that some pay-ments to his company were made direct to Luxembourg away from the eyes of tax authorities. The bank said it stood by its employees and would give them

all leval help. Mr Weise said the two bank managers were suspected of hav-ing helped the owner of a local ealer in sausage-skin products to avoid taxes. He declined to comment on reports that the sum

involved was at least DM2.5m

The businessmen's lawyer said he had now paid all taxes owed. While sending funds to Luxenbourg is not illegal, Germans are required to pay taxes on earnings from such investments. German state investigators have raided premises of several German and

tax evasion. They are also con-cerned to find out whether bank ers to evade taxes.

Other banks involved in prose cutors' probes include Commerzbank, Hypo Capital Management, part of Bayerische Hypotheken-und Wechsel-Bank, as well as Merrill Lynch of the US and The banks have denied that they or their employees have

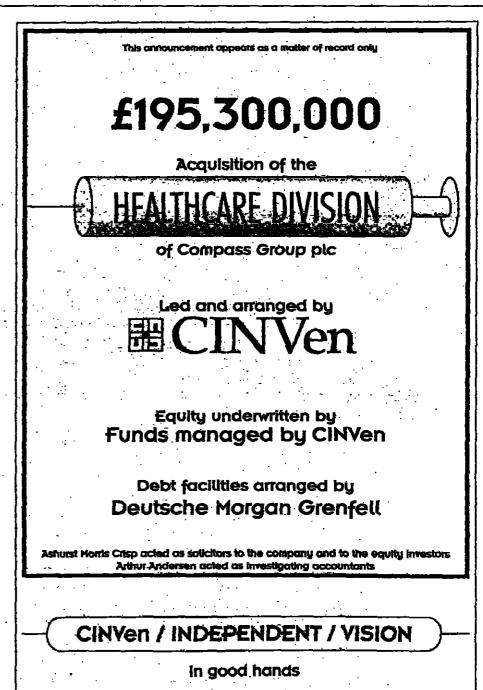
committed any offences, saying they do not advise people to invest in Luxembourg for tax Because German taxes are high, mainly to pay for high reunification costs, German

investors have been investing heavily in such locations as Luxembourg, Switzerland, Austria and Liechtenstein

Since Germany imposed a 30 per cent withholding tax on interest payments in 1993, an estimated DM300bn or more has been shifted to tax refuges where no

foreign banks seeking evidence of CONTENTS

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By David White in Madrid

Spanish business and trade union representatives have agreed on the outlines of a pact on compulsory mediation procedures aimed at improving the country's strike record, one of the worst in the European

The two main labour confederations, the Communist-dominated Workers' Commissions and the Socialist-oriented General Workers' Union, have both formally approved the proposals and expect an agreement to be signed by the end of the

However, the main employ-ers' body, the Confederation of Spanish Employers' Organisations (CEOE), was more cautious, saying that the agreement was not yet settled and a number of technical aspects remained to be agreed.

The proposed pact, which would be an important step in reviving labour concertation in Spain after a decade in the doldrums, requires ratification by the governing councils of the CEOE and the small and medium-sized companies' organisation Cepyme.

If agreed, it will then be put to the government to give the pact legal status and provide

financial backing for a mediation service. The CEOE emphasised that the government had stayed out of the year-long negotiations between the social

Previous attempts to resurrect tripartite consensus between the government, ing the expiry of an Economic and Social Agreement in 1986, came to nothing. Mediation procedures.

already in use in several Spanish regions, would be applied on a national scale under the proposed agreement. The pact would cover conflicts affecting region or involving substantial changes in working conditions. A minimum 72 hours would be required to seek a solution through a mediator before a strike could be called.

The UGT described the proposals as "very, very positive" and said the procedures did not diminish union rights. The CEOE said, however, that the aim was to make industrial action "the last of last resorts". The agreement would be renewable in five years. Apart from limiting strikes, the plan aims to reduce the number of conflicts sent to Spain's over-burdened labour courts.

Political solution proves elusive as unemployment nears 4m

Jobs gloom dogs Germany

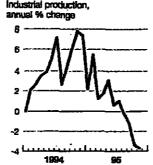
By Wolfgang Münchau in Frankfurt

The German economy is undergoing what in the US is The official statistics may register economic growth, but it has little significance in real

in recession, as defined by two subsequent quarters of economic decline. Growth last year is expected to be 2 per cent and a similar rate is pre-dicted for this year. Yet Germany feels like a country in

The Federal Labour Office, in one of its gloomiest new year predictions, estimates that unadjusted unemployment could breach the 4m pared with 3.6m in November. The figure of 4m unemployed in east and west Germany would translate into an unemployment rate of over 10 per cent, close to the 1994 record. Unlike 1994, however, this seasonal rise is occurring when the economy is in the middle of a cyclical upswing. The soundbites are disheartening. Companies, especially Germany's multinationals

such as Daimler-Benz, are cut-ting staff by the thousands. The medium-sized company sector, the so-called Mittelstand has still not recovered entirely from the last recession. Nor has it reverted to its traditional role of sucking up



same time the decade-long boom in the building sector, artificially prolonged by the demands of unification, is coming to an end, cut short further by the harsh winter. Mr Hans Jacob, labour market analyst at Deutscher Gewerkschaftsbund (DGB), the trade union umbrella organisation, said: "If there is no political initiative, the labour market is bound to remain weak, and we will not have reached the low-point for a while yet. If you leave it all to the self-healing powers of the markets, this situation is going to get a lot worse."

Mr Richard Reid, German economist at UBS Global Research in Frankfurt, said: "People are beginning to get weary of the poor labour market. With the high level of unemployment and the high level of taxes the outlook is The Federal Statistics Office yesterday published more evidence that the German economy is slowing considerably, Bonn. While industrial production remained stagnant in November, rising just 0.1 per cent on the levels a month earlier, the more indicative twomonth figures show production falling 1.5 per cent compared with output in August and

The year-on-year figures for November show industrial production 3.7 per cent lower.

The rapidly deteriorating labour market has become over the last three months the most predominant issue in domestic politics. Chancellor Helmut Kohl promised a jobs programme: the unions are offering wage restraint in return for new hirings; and employers' representatives are calling for an end to collective wage agreements and the dismantling of the welfare state.

The DIW economic institute in Berlin is among the few rejecting most of the standard solutions. Mr Heiner Flassbeck, its chief economist, has argued that Germany's unemployment problem is a conse-quence of its ultra-hard fiscal

and monetary policies. While everyone appears to agree that unemployment is the most pressing political and social issue, there is no sign of an overall solution acceptable

Last November, Mr Klaus Zwickel, head of the IG Metall. the metalworkers' union suggested his "contract for labour", in which he proposed a zero per cent wage deal in real terms in return for a contractual commitment by the metal industry employers to hire 330,000 workers over a

Other union leaders subsequently offered similar deals, and the German government jumped on the bandwagon, particularly Chancellor Kohl, who believes high unemploy-

ment constitutes a problem for himself and his party.

The employers, who have come under strong public pres-sure from all sides, remain divided between hardline lib. divided between hardline liberals and the more traditional social market types. Mr Klaus Murmann, the vitriolic president of Germany's employers' federation, wants collectively negotiated wage rates replaced with a three-tier structure, made up of a basic minimum wage, a voluntary contribution by the company and per-

formance-related pay.

The unions predictably cried foul and called his suggestion "old and reactionary". It is difficult to see what purpose the proposal has served, consider-ing that it has no chance of even being discuss

The way the debate is going shows that the consensus about industrial relations and becoming increasingly frail as times get harder. **EUROPEAN NEWS DIGEST**

Perry upbeat on Bosnia peace

Mr William Perry, US secretary of defence, the first US administration official to visit Bosnia since the outbreak of war in April 1992, said he believed the parties were "sick of war" and "ready to put the hatred behind them" Mr Perry played down criticism that Nato had failed to act

over as many as 16 people being held by Bosnian Serb police. Bosnian Serb authorities yesterday released three people, but the Moslem-led Bosnian government said an additional 16 were still being held after crossing into Ilidza, a Serb-held suburh of Sarajevo. Mr Perry said in the absence of the international police force, which has not yet been despatched. Nato would do what it could to help resolve the matter. Lt General Sir Michael Walker, commander of Nato ground forces in Bosnia, yesterday met the local mayor of Ilidza, who claimed the people had been arrested for "criminal activities" The 1,500-strong international police force has not yet been spatched because only the European Union has pledged

funds for a civilian operations, said Mr Carl Bildt, high representative for civilian administration. Former warring parties today are due to meet in Vienna for talks on arms reduction. The first step will be for the Bosnian Serbs and the Moslem-Croat federation to swap lizison officers.

Laura Silber, Belgrade

No new Creditanstalt tender

Austria's new finance minister, Mr Viktor Klima, yesterday ruled out another public tender for the 70 per cent governme stake in Creditanstalt, Austria's second largest bank, and said he would negotiate with groups which have already submitted

The announcement suggests that Mr Klima, a social democrat, is willing to sell the bank to a Conservative financial consortium led by EA-Generali, the local subsidiary of the Italian insurance group. The so-called Austrian consortium, which also includes First Austrian Bank, Commerzbank of Germany and several industrial interests is believed to be the only group that made a concrete offer for Creditanstalt when the government solicited bids last autumn Former finance minister Mr Andreas Staribacher, who resigned on Tuesday, called off the bidding process in October when the coalition government of Social Democrats and the Conservative People's party collapsed. The consortium is strongly favoured by the People's party but has so far been opposed by the Social Democrats. Efforts to find alternative buyers have failed as prospective hidders were discouraged by political uncertainty. The sale of Creditanstalt is expected to net over Sch10bn (\$1bn).

Lithuanian PM to stay

Mr Adolfas Slezevicius, the Lithuanian prime minister, yesterday rejected opposition calls for his resignation following the Baltic country's recent banking crisis and dismissed speculation that the lita might be devalued. "Some people would like me to resign but I won't... let my opponents push me out of the political arena," he said. Opposition leaders demanded Mr Slezevicius's resignation after it emerged that the prime minister had withdrawn a substantial sum of money from the Innovation Bank two days before it was closed by the Bank of Lithuania. In an address on national radio vesterday. Mr Slezevicius defended his decision to withdraw the money, saying had he not done so the opposition would have accused him of having a personal interest in saving the bank. "You can always find a stick when you want to hit somebody," he said.

Mr Slezevicius said the banking crisis would not affect the pegging of the lita to the US dollar. "Unpegging is out of the question. The currency is guaranteed by our gold reserves and serves of hard currency. he said. ... John Thomball, Moscow.

Corinth bridge deal signed

The Greek government yesterday signed a Dr190hn (\$803m) contract with an international consortium-led by GTM, the French construction group, to build a toll bridge across the Corinth Gulf. The project is expected to ogen up an area of western Greece for development. The 2.3km bridge will link Rion and Antirrion, replacing a 40-minute ferry crossing which is closed during the winter. Because of transport difficulties, the provinces of Aetolo-Acharnania and Epirus have been neglected by investors and are among the European

Union's least developed regions.

However, the Corinth Gulf seabed is an active earthquake zone and technical studies will take two years, while construction of the bridge will take a further five years. To reduce the risk of earthquake damage, the cable-stayed bridge designed by SEEE, the French group's design subsidiary, will be supported on concrete piles sunk deep into the seabed.

The consortium will provide about 10 per cent of financing for the project through commercial bank loans. The Greek government will contribute 40 per cent, which is expected to include an Ecu200m (\$55m) grant from the EU's cohesion fund for improving communications in poorer member states. The remainder will be covered through soft loans from the European Investment Bank.

Greece has been forced to seek private sector financing for several big infrastructure projects because of budgetary constraints and ceilings on EU grants. Kerin Hope, Athens

France condemns attack



France yesterday condemned housing a branch of a French bank and a French consulate in the Netherlands but avolded speculation that it might be a protest against its nuclear tests. The bomb badly damaged the building and

primarily an affair for the Dutch authorities. Dutch police said there were no claims of responsibility but speculated that the attack could be a protest against France's nuclear weapons testing in the South Pacific. The fifth test in the series was

Disneyland clash injures 14

union protest for higher wages at the theme park. The demonstration, the first involving injuries since the park opened in April 1992, took place at the weekend when about a dozen protesters tried to force their way inside, officials said

Park attendants "tried to block them and there were injuries" among both protesters and personnel on duty, according to Mr Jacques-Henri Eyraud, a spokesman for the park's parent company, Euro Disney. No damage was reported and the park continued operating.

Scandal persuades Paris to sell the élite's council flats

anted: buvers for hundreds of spacious apartments in some of the best districts of Paris. Apply soon to the city hall. Just when the housing market in Paris is in the deepest depths of a cyclical slump made worse by property speculation over the past few years - the city authorities are embarking on an ambitious programme to sell more than 400 flats it owns in the nation's capital

From spring 1996, a commission of independent experts convened by the city council will oversee the start of a huge disposal programme. Half of the flats are located in some of addresses in Paris: the fourth. fifth and sixth arrondisse-

Of the 2,250 buildings owned by the city, there are 1,389 flats. Two-thirds of the flats will be transferred out of the direct ownership of the city. but not put up for sale.

The remaining third will be nut on to the open market most to be sold by public auction - as their leases expire over the next 10 years. Yet some 260 flats are already vacant, and about half of these are in adequate condition to be sold almost immediately.

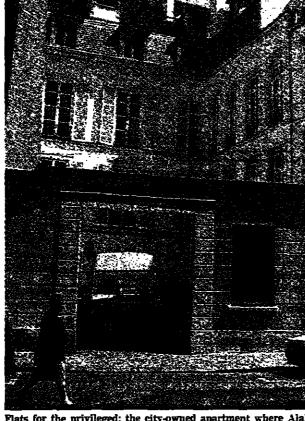
Why Paris owns so many orivate apartments in the first place is an interesting question. Why it is selling them now and which organisations remain in a similar position. are even more intriguing.

Many of the city's buildings were acquired many decades ago, including large stretches bought under compulsory purchase schemes in the late 19th century ahead of demolition to make way for planned new grand boulevards that were never built. Others were left to the city in legacies and by a range of other means. That left Paris with a large stock of accommodation and no clear policy on who could use it.

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Flats for the privileged: the city-owned apartment where Alain Juppé lived at a rent considerably below the market rate

In the run-up and aftermath to the presidential election race in 1995, the French press began to report on a growing number of the country's leading personalities - politicians. senior civil servants and even in very comfortable city-owned accommodation

The allegations sat particularly awkwardly with President Jacques Chirac's cam-paign pledges to fight against "social fracture" or division between the élites and the rest in French society, and at a time when the economic climate was already beginning to change for the worse. While long lists of "the privicism focused particulariy on Mr Alain Juppe, the prime minister chosen by Mr Chirac. Mr Juppé lived in a large cityowned apartment for a rent of FFr12,000 (\$2,450) a month thought to be 40 per cent below the market rate - and while deputy Paris mayor responsi-ble for finance he had requested a cut of one third in

which his son lived. The scandal depressed the threat to the government.

the rent for another flat in

franc as the markets considered there could be a real However, the public prosecutor decided that there was insufficient evidence to pursue Mr Juppe in the courts for leged" were published, criti- ingérence, or undue interfer-

be taken as long as he moved out of his flat and into the prime minister's official residence. Mr Juppe's own flat in Rue Jacob is likely to be one of

the first symbolic sales. Mr Chirac as mayor of Paris between 1977 and 1995 was at least nominally in charge of the process of allocating apartments. He launched a policy to sell some city-owned housing after he took office, but progress has been slow.

Yet he seems to have escaped more easily than Mr Juppé. He came under pressure after his low-rent, city-owned property was taken out of the city's control by being sold to a company in which the city of Paris owned a stake and of Yet calls for legal action to be taken against Mr Chirac have been rebuffed.

The political fail-out over the city's housing policies has landed instead on Mr Chirac's anointed successor as mayor, Mr Jean Tibéri. Shortly after his appointment in June, he announced the creation of a commission to examine the problem, which published its findings last month.

It concluded starkly that the city "does not have the vocation to directly manage private property" and called for all of its housing stock to be hived off. Property suitable for lowincome housing should be handed to special management organisations, while the rest should be sold. The city will retain just a

handful of buildings, and any senior employees to whom it provides housing will have their arrangements fully scruinised. Given that there is no clear

legal advice on the subject and that city politicians still living in city-owned flats might potentially be open to accusations of ingérence like Mr Juppė - Mr Tibėri has also put them on their guard of the risks they run if they do not move before their leases end.

Belgian budget deficit falls ahead of Emu

The Belgian government yesterday unveiled figures showing a marked drop in last year's budget deficit, and declared it remained on course to be one of the first European countries to participate in a single currency.

Measured as a percentage of GDP, the budget deficit dropped to 4.5 per cent, compared with 5.3 per cent in 1994. If Belgium is to qualify for a the century, it must reduce the deficit to 3 per cent of GDP over the course of this year.

also fell, to 133.7 per cent of GDP. Although this compares favourably to 1994's 136.1 per cent, Belgium remains a long way from the Maastricht treaty's ultimate target for debt of 60 per cent of GDP.
While the government cele-

brated the results of its fiscal discipline, bankruptcy figures also published this week showed the effect it is having on businesses and consumers. According to figures from Infotrade, a Brussels-based research organisation, bankruptcies reached a record 7.022 last year, 10.2 per cent up on 1994.

Separately, Dun & Bradstreet said 555 companies were declared bankrupt in December, compared with 646 in December 1994, and 625 in 1993. The figures coincided with a sombre start to the January sales, with retailers unconvinced that they will do much to lift business.

With consumer confidence at rock bottom and the public sector agitated about government austerity cuts. Belgium's centre-left government could run into difficulties as it strives to meet the Maastricht treaty's stiff economic targets. The weeks before Christmas

were blemished by sporadic

relaxing current fiscal rectitude would be the right way to undermine consumer and busi-

disruptions to various public

sector services although the

scale of industrial unrest came

nowhere near the level of pro-

Yesterday Mr Philippe Mays-tadt, the finance minister, said

ness confidence.

Any weakening in budget discipline would lead to a lack of confidence," he said. "We are not convinced that there is single currency by the end of this traditional link between a decrease in the budget deficit

The government says it is on course to be one of the first to participate in a single currency

The government hopes to reach the 3 per cent deficit tars get this year, but is basing predictions on a growth forecast of 2.2 per cent. This is higher than independent forecastswhich are hovering between 1.5 and 1.7 per cent for 1996. The government expects to revise its forecasts some time

and a weakening of the growth

over the next few weeks. Mr Maystadt and the budget minister, Mr Herman Van Rompuy, were optimistic about prospects for reducing the government debt. They pointed out that in two years debt, as a percentage of GDP, had fallen 4.3 percentage points.

They said the drop was partly a consequence of ending the "snowball" effect whereby the debt notched ever higher as a result of interest payments - and represented the beginning of a "structural" reduction of the debt.

vodka production and the

"The quest for wealth

health of the common people.

brought cheap brands of

Ukrainian potato and beet vodka, mainly from Kiev and

Poltova provinces, on to the

"These vodkas were sold

only on draught and by the

bucket, which led to the most

Russian market.



blew out windows but no one was injured, said police (nictured left) who examined the surroundings of the building yesterday. Describing the attack as "a criminal or terrorist act", foreign ministry spokesman Jacques Rummelhardt said the bombing of the Paribas hank in Arnhem was

carried out last week. President Jacques Chirac's decision last year to resume nuclear tests, breaking a 1992 moratorium, touched off a storm

of protests around the world.

A clash at Disneyland Paris left 14 people injured during a

Unions representing the 8,000 workers at the park are demanding monthly salary increases of FFr1,250 (\$250) for employees making less than FFr10,000 a month. They are also asking for a 4 per cent increase for employees who earn between FFr12,500 and FFr24,000 a month. Disneyland Paris was reported to be offering a 2 per cent increase plus an additional 1 per cent on merit.

Russian spirits hit by vodka imports

By John Thombill in Moscow

Russia's traditional bout of drinking over New Year has not brought seasonal cheer to the country's vodka distillers. Russian producers are complaining that an influx of cheap spirits from neighbour-ing Ukraine and Belarus is threatening both the profitability of their industry and

the health of the population. Mr Vladimir Yarmosh, president of Rosalco, the association which represents most of Russia's biggest distillers, said imports from other Commonwealth of Independent States countries accounted for about half the 2.5bn litres of vodka Russians were estimated to drink each year.

He said low-grade vodkas

from Ukraine and Belarus, in

particular, had raised their

from 10 per cent to 35 per cent ing curbs were eased following in the last few months of 1995. Proliferation of cheap vodka has had some advantages. encouraging many Russians to use it to clean car windscreens. Unlike water, vodka

1991 and the subsequent liberalisation of trade. It has been estimated that the Russian population of 150m now consumes substan-

An influx of cheap produce from Ukraine and Belarus is threatening the profitability of the industry

does not freeze when the temperature falls to -20°C. But the dangers of excessive vodka drinking have also been highlighted recently. Moscow city health authorities said 17 drunken revellers died of exposure over the New Year holiday, with 77 others hospitalised for frostbite.

Russian vodka consumption

tially more vodka each year than the 280m citizens of the Soviet Union drank annually in the late 1980s. But despite the big growth

in the market, Russian distillers have been struggling to survive because of their antiquated production methods, higher licensing fees and taxes, and increased prices

ket, traditional Russian vodkas have been undermined by heavily marketed western imports, such as Absolut and Smirnoff, which have become the favoured tipples of the new moneyed classes.

But the bottom end of the

market has been undercut by cheap imports and home-dis-tilled vodkas which escape taxes. While a half-litre of Russian vodka costs about Rbs11.000 (£1.50), low-quality imported vodkas can be bought for half that in street kiosks. Hiegally produced vod-

The influx of cheap vodkas from neighbouring countries is not new in Russia. In his book, History of Vodka, the author Mr William Pokhlebkin noted that the development of capitalism in 18th century share of the Russian market has risen steeply since drink for raw alcohol and grain. Russia had disastrous conse-

unrestrained drunkenness," he Mr Yarmosh predicted some relief for Russian distillers this year when a new law which attempts to limit imports and give local authorities greater powers to clamp

down on illegal producers comes into force. But Russian producers would continue to be hampered by financial problems and a lack of bottling capacity,

Thailand's finance minister faces sack

By William Barnes in Bangkok

Mr Amnuay Virawan, Thailand's deputy prime minister. was yesterday given "overall responsibility" for the finance ministry, forcing the incumbent, Mr Surakiart Sathirathai. into the background ahead of his likely dismissal in a March cabinet reshuffle.

Mr Surakiart's effective demotion, announced yesterday by Prime Minister Banharn Silpa-archa, is seen as punishment for his handling of the sacking last month of Mr Ekamol Kiriwat, the respected head of the Securities and Exchange Commission.

Mr Ekamol's dismissal was widely viewed by the markets as a politically inspired move after he had sought assurances from the government that the SEC would remain independent. That in effect sealed his fate. The cabinet is unlikely to have opposed his dismissal and

the task fell to Mr Surakiart, who is thought to have handled the dismissal badly,

Cabinet colleagues have distanced themselves from Mr



Premier Banharn Silpa-archa:

"Prime Minister Banharn appears to have been told he's got a real political hability (by retaining Mr Surakiart]," said Mr Korn Chatikavanij, president of Jardine Fleming Thanakom Securities in Bangkok. Mr Suraklart's relations with the financial community were

down with the SEC chief. A Harvard-educated law pro fessor, Mr Surakiart was a former top adviser to the prime minister before being given the finance portfolio after last summer's election victory.

Mr Surakiart had steered clear of trouble until the Ekamol affair, though he had been under criticism over the slide in share prices last year, a widening current account deficit and rising inflation.

Mr Ekamol's sacking has left particularly bad feeling. because, so far, Mr Surakiart has failed to produce evidence in support of his allegations of impropriety against a man who is widely seen as an honest regulator committed to bringing the country's financial markets up to international

Mr Ekamol has denied all charges against him. The markets have welcomed Mr Amnuay's expanded brief. He is the former chief executive of the country's biggest private bank, the Bangkok Bank, and unlike Mr Surakiart has hands-on experience of international finance and banking.

north-east Burma.
There are sufficient active

Khun Sa's rivals - notably appear to be trouble-free

The US State Department last year complained that vields from opium gam crops had risen threefold since 1988 partly because "the government of Burma continues to treat counter-narcotics efforts as a matter of secondary importance".

have quietly encouraged drugs barons to switch their earnings into legitimate busi-

Burmese Loans storm about to break Tokyo faces backlash over bailout, writes Gerard Baker warlord M hile protra Japan's with more than Y7,000bn of protracted financial their Y13,000bn loans non-'retires'

crisis has reached into almost every corner of the country's economic life, it has so far failed to make much of

favourite bêtes noires - bank-

ers, regarded as overpaid and

incompetent; farmers, the

recipients of vast sums of

money in the form of subsidies:

and bureaucrats, widely

despised as elitist and occa-

The seven companies were

founded by the leading banks

in the 1970s to provide home mortgages, a field from which

banks were excluded at the

time. By the late 1980s they

were deeply embroiled in the

excesses of the bubble econ-omy, lending vast sums for

speculative development. After

the collapse of prices over the

last five years, they were in

effect bankrupt by last year,

sionally corrupt.

an impact on national politics. The opium warlord Khun Sa, But that is about to change who this week "surrendered" in 1996. A political storm is to Burmese troops, will almost brewing over the government's certainly be allowed to retire decision just before Christmas peacefully in Burma. His safe "retirement" appears to have to authorise the use of taxpay-ers' money towards the bailout been the price extracted for of the seven bankrupt housing allowing soldiers of the Burloan companies. Coming at a mese military junta to seize time of renewed political volatility it seems certain to damhis Ho Mong headquarters near the Thai border. age seriously the government's

opium

By William Barnes

At his height Khun Sa was a authority and could influence high-profile and notorious the timing of the next general enemy of Burma's military election. rulers. For years his self-pro-claimed independent state in Opinion polls show the decision to use at least Y685bn north east Burma proved to be (\$6.6bn) to pay off the creditors of the housing loan companies, a political embarrassment for the military junta, provoking unsuccessful military retaliaand it is not difficult to see tion by the authorities. Khun why.

The affair has brought into army and said that he took part in the heroin trade only the limelight three of Japan's

to help "his Shan people". Whatever bargain Khun Sa, a half-Shan, half-Chinese veteran of the international narcotics trade, has struck with the Burmese authorities it is likely to have little impact on the flow of heroin out of the so-called "Golden Triangle" in

Chinese and other "ethnic minority" drugs barons to ensure that the Golden Triangle remains the heart of the global heroin trade.

the Wa hill tribe on the Yunan border and the ethnic Chinese of the Kokang district adopted, in contrast, a low political profile, the price for being allowed to ply their trade. As a result, their relations with the military junta

The Burmese junta claims to The two companies are to performing.

Their principal creditors were the banks which established them, and the nation's agricultural co-operatives.

The banks reluctantly accepted the write-offs of most of their loans to the jusen as part of the liquidation deal, but the farmers' co-ops refused to bear more than a small portion of their losses, so the government stepped in to fill the As part of the 1996 budget

proposals, the plan must be approved by the lower house of the Japanese parliament by the end of March. It will have a Presented with a golden

opportunity to embarrass the government, Mr Ichiro Ozawa, the newly elected leader of the main opposition New Frontier party, has already seized the initiative. In New Year messages to his party, he pledged to fight the plan, promising to make the coming parliamentary session, which begins later this month, "the jusen

Since the coalition government of Liberal Democrats (LDP), socialists (SDP) and New Harbinger Party, has a large majority in the lower house, in principle the budget should not be in any danger.

The problem, however, is that some government members are growing increasingly nervous about the popular backlash that might follow if they vote for the plan.

The largest coalition member, the LDP, has little choice but to back the bailout. The

Ozawa: seized initiative

principal beneficiaries of the scheme are the nation's farmers one of the most powerful lobbies in the LDP.

Members of New Party Harbinger, the smallest coalition partner, are split on the plan, but they too have a political imperative which makes them likely to back it. Their leader is Mr Masayoshi Takemura, the finance minister, who will ultimately bear the responsibility of forcing the legislation through parliament.

The biggest potential threat comes from the socialists, the party of the prime minister. Mr Tomiichi Murayama. The prime minister has already urged his colleagues to back the bailout but has received only muted support.

In any case the party is due to be disbanded this year and members are already in open division about which direction they should take. However, neither faction is enthusiastic

Against this background the government's hopes of ensuring the bailout is accepted will depend on some significant

The prime minister has stated repeatedly that the price of the bailout must be the unrelenting pursuit of those responsible for the jusen mess. The usual suspects include politicians, bureaucrats and bankers. The government hopes the public, and therefore sceptical members of parliament, will accept the rolling of the political tumbrels in exchange for passing the bailout.

Opposition members and some socialists have indicated they would accept the heads of senior bureaucrats and some politicians. But the real struggle is likely to be over the list

The process began last week with the resignation of the top bureaucrat at the finance ministry, Mr Kyosuke Shinozawa. Opposition politicians are pressing for it to be taken much further. They are particularly eager to see political responsibility carried by relevant ministers, and may also demand changes in the most senior echelons of the finance

ministry.

Few politicians expect the plan to be defeated outright. Aware of the implications for Japan's markets of the bailout's rejection. Mr Ozawa and colleagues seem likely to back

But the price of their acqui-escence will be high, and for the time being at least they can look forward to exploiting the government's discomfort. Editorial Comment, Page 9

Bangkok shortlists nine consortiums for railway

Thailand's Mass Rapid Transit Authority has shortlisted nine consortiums, out of 30 applicants, to bid for the \$1bn contract to build the first 20km of Bangkok's underground rail-

There has been heavy interest because the Thai government has decided to pay for 86 per cent of the project itself and because the contractor will be well placed to extend the

Tenders for the mechanical work - of roughly equivalent value - will be called for early this year. This is the fifth time hids have been invited since the first feasibility studies started in 1978. Although politiwrangling has so far stymied the development of this and other mass transit projects, the MRTA's director, Mr Theerapong Attaharusit, is confident

progress will now be made. . The government dropped Bangkok Land, which was the priority bidder for a build-operate-transfer elevated railway, when it decided to fund an underground transit system for environmental reasons.

The shortlisted consortiums are Italian-Thal - Thailand's biggest development company with wide experience of largescale infrastructure projects in Bangkok - in partnership with Obayashi and Nishimatsu, the

cal inertia and bureaucratic the German Philipp Holzmann group, leading a group of 14 German and Thai companies: Bilfinger & Berger, another German group that has joined forces with CH Karnchang, the powerful Thai group, and two Japanese companies, Kumagai Gumi and Tokyu Construction; France's Sae International. leading a consortium that includes Britain's Tarmac

> with Thailand's Siam Syntech Construction. The remaining four consortiums are led by France's Bouygues group, Spain's Dragados y Construcciones, Japan's Taisei and Germany's Dyckerhoff & Widmann group.

group; and Japan's Kajima

Malaysia studies Vietnam refinery

By Robert Corzina

Conoco, the US oil company, and Petronas, the Malaysian state petroleum producer, say they are studying the viability of a Vietnamese refinery project abandoned by Total, the French oil group, last Septem-

undertake a joint feasibility study of the proposed refinery, which Hanoi wants built at

Dung Quat, a remote and relatively undeveloped location on Vietnam's central coast 130kms south of Danang.

Total walked away from the \$1.2bn (£774m) project because of the proposed location and its lack of infrastructure. The area had been chosen by Hanoi for political, rather than commercial reasons, with the aim of boosting the economy of the

poor central province. fast-growing Vietnam. Total wanted to build a refi-

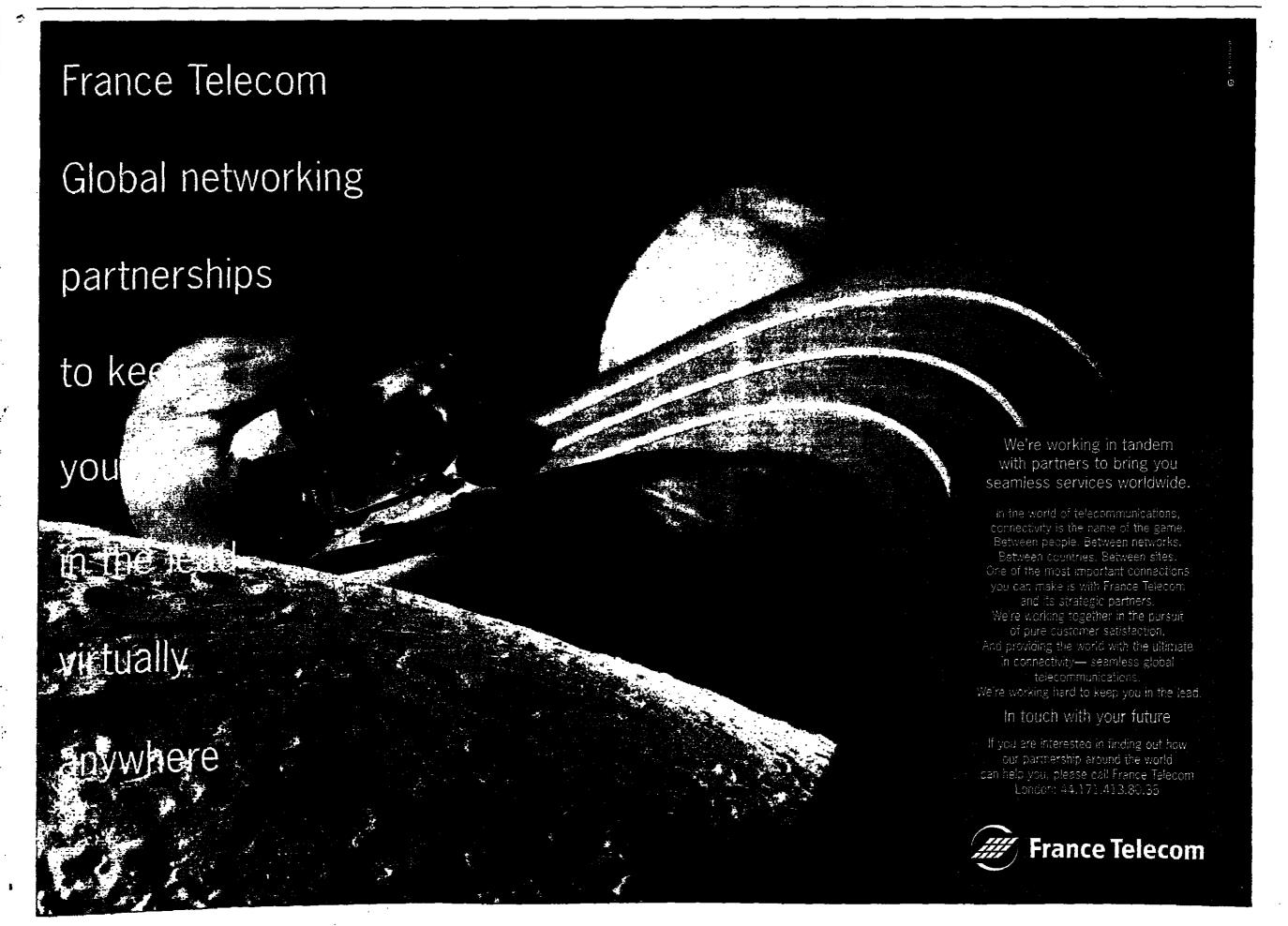
nery further south at Vung Tau, the main centre of Vietnam's oil industry, and near the offshore oil fields and the main markets around nearby Ho Chi Minh City.

Mr Hassan Merican, Petronas president, said in Kuala Lumpur yesterday: "We have requested a 30 per cent interest in the refinery," which if built would be the first in

Reuters reported that the LG

group of Korea, formerly Lucky Goldstar, was also involved in the project, in which Daewoo, another Korean conglomerate, has also expressed interest.

But a spokesman for Conoco. oil subsidiary of the Du Pont chemical group, later said that only Petronas and Conoco were acting jointly and that it was too early to talk about the among the potential partners.



French aid group accuses Rwanda of theft

By Michela Wrong in Nalrobi

A French medical charity expelled from Rwanda accused the government yesterday of theft, saying it had confiscated vehicles and communications equipment worth up to \$700,000 (£454,500) and was planning to seize drugs worth another

Médecins Sans Frontières (MSF), whose French wing was one of 38 non-governmental organisations ordered out on December 6, said Rwandan troops had taken 16 of its vehicles and communications equipment and were occupying its compound in Kigali, compil ing a list of pharmaceutical stocks they obviously intended to confiscate.

"Because we have had no response from the government to our repeated requests for an official explanation for our expulsion, we consider the seizure of this equipment as theft." said MSF's Andre Le

Last month's expulsions were the climax of months of growing tension between the aid organisations and the government set up by the Tutsi-led Rwanda Patriotic Front (RPF), which seized control of the country in 1994, chasing out the Hutu administration responsible for genocide. Immediately after the fall of Kigali, scores of charities poured into the deserted capital. With no administrative structures in place they initially were a law unto themselves, opening offices and recruiting staff. The hundreds of four-wheel-drive vehicles they imported often appeared to be virtually the only traffic

on the streets. While many were internationally respected organisations, others were more obscure. A list compiled by the Rwandan government showed 158 entries and included such groups as Sustainable Agricultural Development for Orphans. Americans for African Adoption, Friends in the West, Reformed World Committee and the fundamentalist Safe Harbour International.

Many of the groups were underfunded and never bothered to go through the proper registration procedures once a new government was in place.

As time has gone by, the government's tolerance of such groups, regarded locally as jobcreation schemes for expatriates, diminished. Aid workers said the government no longer appeared willing to meet or talk to the NGOs.

Diplomats have also increasingly queried the usefulness of funnelling foreign aid through the aid agencies when the government is having trouble raising the funds to build new prisons and reconstruct its war-shattered administration.

While recognising that the government is trying to clean up the NGO situation, MSF-France, the most prominent of the expelled agencies, said yesterday it believed it had been victimised for speaking out.

The agency had denounced army atrocities and issued a hard-hitting report on the appalling conditions in the over-crowded jails. The Kigali government, always highly sensitive to criticism from French quarters, was incensed when MSF estimated that up to 8,000 Hutus had been killed when an army operation to clear a Hutu refugee camp in Kibeho last year exploded into violence. The figure later

Business leaders put their faith in Egypt's new PM

By James Whittington in Cairo

As Mr Kamel Ganzouri, Egypt's new prime minister. began putting together a fresh cabinet yesterday, the mandate for his premiership was no doubt ringing in his ears.

Announcing the unexpected change in government on Tuesday night, President Hosni Mubarak declared that the new administration would prepare Egypt for the 21st century by raising standards of living and renewing the impetus of eco-

It is not the first time an incoming prime minister has been charged with rejuvenating Egypt's depressed and antiquated economy. Mr Atef Sedki, the outgoing and ailing premier, who like Mr Ganzouri holds a doctorate in economics, was appointed by the president in 1986 on a similar platform. While Mr Mubarak keeps a firm hand on the country's defence, security and foreign policies, he allows some flexi-

In Mr Ganzouri, 62, he said he was looking for someone who would speed up and "give an impetus and activate [economic] development".

bility in management of the

Policies are not expected to change much, but business leaders and the main donor countries hope Mr Ganzouri will succeed where Mr Sedki failed, by pushing ahead with faster and deeper reforms. Although it embarked upon serious economic reform rather

removal of trade barriers. As a result, immense structural problems continue to plague the country's developlate in the day, the previous ment. A quarter of Egypt's 60m

1.7 per cent of gross domestic

product from 17 per cent four

reserves had been built up to

failure to maintain the momen-

tum of reforms and no real

attempt to embark on privati-

sation, deregulation and the

people live on less than \$35 a ited with overseeing the transimonth, according to the World tion to macroeconomic stabil-Bank; unemployment is officially 20 per cent and unoffiinflation, at 4.9 per cent in cially much higher and eco-November, is at its lowest in nomic growth barely keeps up more than 30 years. The budwith a population growing at

get deficit has been slashed to 2.2 per cent a year. Such problems should certainly not come as a surprise years ago. Foreign exchange to Mr Ganzouri. Appointed planning minister in 1984 and about \$18bn (£12bn) at the end deputy prime minister in 1987 he has been at the heart of However, there has been a government for 12 of Mr

Mubarak's 14 years in office.
"If one is to judge him on the basis of his career so far, he is pro-central planning and propublic sector." said Mr Said el Naggar, a prominent economist who has little confidence that the new government will amount to anything more than

a shuffling of cards. Mr Maghdi Hussein, editor of

Al Shaab, one of the most vocal opposition newspapers. argues that the only reason the new administration was announced this week was to absorb some of the anger felt by ordinary Egyptians after last month's controversial parliamentary elections in which the ruling National Democratic party swept away nearly all opposition candidates.

However, Mr Ganzouri has left a favourable impression on officials of the International Monetary Fund and World Bank after his active role in discussing economic reform with visiting delegations. Furthermore, leaders

Egypt's business community seem to like him. "[Ganzouri]

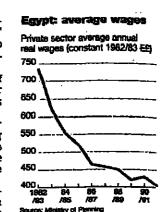
tor over the past year or so," said Mr Raouf Ghabbour, who owns one of the country's biggest car assemblers.

Others point to a number of disputes with the public sector in which the new premier has sided with free enterprise. Most recent is the row over

the private sector's marketing and selling of cotton which has been attacked by some in the government as "irresponsible profiteering". One senior government official said his main hope lay in

improving co-ordination in the cabinet between various eco-nomic portfolios which broke down under Mr Sedki.

"At the end of the day Egypt's prime minister remains an office manager. But



he runs an efficient office and is persuasive with the executive [ie. the president]

Brazil acts to speed up reform moves

By Angus Foster in São Paulo

Brazil's Congress will be recalled for a special six-week session from Monday in a government effort to speed up approval of reforms originally due to be passed last year. President Fernando Hen-

rique Cardoso, who met top advisers yesterday, decided to recall Congress from its annual recess because of the urgency of some of the reforms. Approval had been delayed by opposition to some of the more controversial proposals, and by two scandals which hit the government and Congress late

Mr Marco Maciel, vice-president, said six proposed reforms would be priorities in the special session. They included changes to taxation, social security and the civil service and an extension of emergency measures to help balance the

A separate proposal, to break the government's monopoly on reinsurance business in Brazil, will also be emphasised. Congress will also be asked to approve a new tax on financial movements, to help fund Brazil's creaking health system.

The reforms are seen by analysts as vital to reduce government spending commitments and streamline its finances. But the implied spending cuts have angered many powerful interest groups and were partly responsible for last vear's delays. The government has warned that if the emergency budget measures are not approved quickly, this year's

Banerj, the troubled Brazilian

bank owned by the state of Rio

de Janeiro, moved closer to

privatisation yesterday when a

private sector bank took administrative control, Angus

Foster reports from São Paulo.

Banco Bozano, Simonson, one of the most active banks

in Brazil's privatisation pro-

gramme, will control Banerj

for about a year and prepare it

for privatisation. Bozano,

Simonson won the right to

administer Banerj in a public

Banerj, along with many

competition late last year.

Ailing bank put

in private hands

ments will face further cuts. The mood in Congress appears to have improved since before Christmas, when radar contract and illegal election funding had weakened Mr Cardoso's coalition of supporters. But both scandals could

Mr Cardoso last month reaffirmed his support for the \$1.4bn Amazon radar project, but stressed that the final go-ahead for the plans rested with the Senate, where its fin-

yet return to haunt the govern-

ancing still needs approval. Earlier three members of Mr Cardoso's government resigned in an influence-peddling scandal indirectly linked to the Some reforms, such as the

budget measures, are opposed by powerful congressional leaders while others, including changes to the social security system, are opposed by many. Success or failure during the special session may determine the government's performance for the whole year - ministers admit a slow start would be damaging. Little progress is expected in the second half of

the year, once campaigning

gets under way for municipal

elections due in October. Many congressmen intend to contest the elections, so will not want to vote for unpopular reforms. The two parties which form the bulk of Mr Cardoso's congressional backing will also be disputing many important municipalities, which could

political interference. Most

analysts believe it needs recap-

italising and a programme of

job cuts to compete against

Rio's state goverment has

been praised by the central

bank for its determination to

privatise Banerj. The state of São Paulo has blocked privati-

sation of its even more trou-

The privatisation of Banerj

will be opposed by employees

and unions. On Tuesday, dur-

ing a ceremony to hand con-

trol to Bozano, Simonson, the

bled Banespa bank.

private banks.

Hanan Ashrawi, former peace negotiator and candidate in Jerusalem. campaigning yesterday. A champion of human rights, she says PLO leader Yassir Arafat has curbed press freedom

Palestinian candidates tout intifada credentials

By Julian Ozanne in Ramallah

The Palestinian election campaign got under way in earnest yesterday in a flurry of activity and confusion.

In the West Bank and the Gaza Strip young men put up campaign posters on walls and on billboards above roads and distributed campaign leaflets advertising the merits of some of the 750 candidates running for an 88-member legislative council to be elected on January 20.

In Syngil, a small West Bank village between Romal-lah and Nablus, seven candidates representing most of the Palestinian political spectrum ised public debate. Almost the

to hear the candidates emphasise their personal credentials in the intifada, the battle

against Israeli occupation. In a reflection of the popular mood, few candidates are willing to praise the Israeli-Palestinian peace accords which have led to the elections and almost all candidates promise clean government and a tough line in future negotiations with Israel.

Mr Mustapha Barghouti, a candidate for the People's Party of Palestine in the Ramallah electoral district, told the crowd that the election was about genuine democracy. "It has to be about equality before the law and equity means everybody has the same chance to get jobs." he said in

small makeshift concrete hall an apparent criticism of patronage in the allocation of jobs by the Palestinian

> Mr Azmi Shuabi, who served as "minister" for youth and sports on the recently disbanded Palestinian Authority warned voters against being swayed by loyalty to tribe, clan and family.

> But as the campaign went into full swing yesterday there was still deep confusion about the electoral process and the potential partiality of the Palestinian Central Election Commission. Hundreds of foreign election monitors, few of them with a working knowledge of Arabic, were trying to grapple with the complexities of the

Peace hopes lift spirits in Israel and N Ireland

By Diane Summers, Marketing Correspondent

The Arab Gulf states and Israel have emerged as the nations most optimistic about their prospects for 1996, while Hong Kong and Hungary are the most pessimistic.

The findings come from a survey, conducted in November and December, of more than 58,000 people in 50 countries questioned by Gallup International, a worldwide association of market research

Asked whether 1996 would e better, the same, or worse than 1995, 68 per cent of respondents in the Gulf states and 66 per cent in Israel thought it would be a better year. Optimism was also high in Northern Ireland, where 65 per cent said it would be bet-

Gallup International said the "imminent spread of peace in the Middle East may account for Israel and the Gulf states' top-of-the league placings. Similarly, perhaps the continuing peace in Northern Ireland accounts for their own third

Behind Northern Ireland, the most optimistic populations were found in New Zealand. South-Africa and Brazil

At the opposite end of the rankings, 62 per cent of respon-

this year would be worse than last. Gallup International said: Perhaps fears about 1997. rather than views on 1996, are really behind Hong Kong's replies, which show them as the most pessimistic country in the world." At the end of 1994, only 29 per cent of those in Hong Kong were pessimistic

A similar poll last year showed Hungary and Zimbabwe as the glummest nations - this year they are still second and third most pessimistic behind Hong Kong.

The greatest change has been in Mexico, Gallup reports. "Last year's survey saw them ranked as the eighth most optimistic nation, with 54 per cent believing 1995 would be a better year than the previous one. But economic collapse has blighted their optimism and so. in this survey, 45 per cent of Mexicans believe 1996 will be worse than 1995," it said.

Given the increasing disen chantment with market economics in some eastern European countries, Gallup said it should not be surprising to find Hungary, Ukraine, Lithua-nia and Russia among the ranks of the pessimists. But, it added, "it is more of a surprise to find European Union members Belgium and Greece amongst the list, particularly when other EU members feadents in Hong Kong thought ture prominently as optimists"

INTERNATIONAL NEWS DIGEST

Mexico exports lifted by peso

Mexico recorded a trade surplus of \$6.9bn for the first 11 months of last year, compared with a deficit of \$16.8bn for the same period in 1994, according to figures released by the commerce ministry. Exports increased 31.6 per cent to \$73.1bn. fuelled by the sharp devaluation of the peso, while imports fell 8.4 per cent to \$66.2bn.

Increases in exports were particularly marked in agriculture and mining, both of which registered rises of almost 60 per cent. However, industrial exports, which rose 32.7 per cent to \$61.2bn, and petroleum exports, up 13.5 per cent to \$7.7bn, represented far more of total trade.

Lower short-term interest rates and upwards movements in

markets worldwide helped the Mexican stock exchange to climb above 3,000 points for the first time yesterday. In later trading the bolsa fell back to 2,993 points, with the peso strengthening 1.5 per cent to 7.56 to the dollar.

Analysts said that greater currency stability, in part prought about by Banco de México's intervention, had allowed interest rates to continue their recent fall. "People are also bringing money back because they think that the political situation this year may be clearer and more stable than in 1995," said Mr Felix Boni, head of research at James Capel in Daniel Dombey, Mexico City

Yemen and Eritrea 'nearer deal' Yemen and Eritrea were moving closer to settling their

dispute over three Red Sea islands, an Ethiopian mediator sale yesterday. Mr Seyoum Mesfin, Ethiopian foreign minister, told Saba, the official Yemeni news agency, that he had handed President Ali Abdullah Saleh of Yemen a draft

He did not elaborate on the proposal, but diplomats said it called for the immediate withdrawal of Eritrean troops from the island of Greater Hanish, followed by negotiations on all aspects of the dispute. Mr Saleh said he wanted to settle the problem, but criticised Eritres for failing to specify whether it was seeking a solution to the Greater Hanish problem or to the feud over all three islands.

Ethiopian officials have been shuttling between Sana'a and the Eritrean capital of Asmara to mediate in the conflict which flared up in mid-December, when Eritrean forces took control of Greater Hanish.

The island sits astride shipping lanes 160km north of the Bab el-Mandeb Strait, the main entrance to the Red Sea. The two nearby contested islands, Zuqar and Lesser Hanish, are at present under Yemeni control.

Clinton nominee for trade post

President Bill Clinton said yesterday he planned to nominate Mr Stuart Eizenstat, who is serving as US representative to the European Union, to be under-secretary of commerce for international trade.

If his nomination is confirmed by the Senate, Mr Eizenstat will administer the commerce department's international trade administration, managing trade policy development, export promotion, investment policy and commercial

He was chief domestic adviser to President Jimmy Carter and later held a number of positions in the private sector and academic world.

Brazilian state-owned banks, bank's head office was evacuentire village crowded into a proved exaggerated. has suffered from years of ated after a bomb hoax. Cuba comes out of shell to search for allies

bered as the one in which Cuba's President Fidel Castro travelled more widely than ever before in more than 35 years at the helm. of the island's socialist revolu-

In 12 months, the 69-year-old Cuban leader visited Europe. the Caribbean, Latin America and the United Nations in New York. He finished the year in December with an extensive two-week tour of Asia, making a first trip to China and also visiting Vietnam and, briefly,

Mr Castro's globetrotting is part of a diplomatic offensive that has gathered pace over the last two years. Its aim is to ward off the threat of isolation posed by a continuing US economic embargo against the island and the absence of the Soviet-led communist alliance that was Cuba's biggest economic, political and military support for three decades.

trary to what our enemies say, Cuba is neither isolated nor alone," a senior Cuban Foreign Ministry official said.

The main enemy continues to be the US government which seeks to portray the communist-ruled island as a pariah state on a par with Iran or Iraq. Cuba has not forgotten the snub of its deliberate exclusion from the December 1994 Summit of the Americas hosted by President Bill Clinton in Miami.

So Cuba is reaching out for friends abroad: especially those who will support its countercampaign against the US embargo and boost the island's struggling economy with trade. investment or, even better,

financial credits. Mr Castro is not the only member of the government who has clocked up flying hours over the year. Cuba's youthful foreign minister, Mr Roberto Robaina, now travels

Pascal Fletcher reports on Castro's tireless globetrotting to ward off isolation and boost island's trade "These visits show that, con- so often that he calls himself a how these countries are com-"careering diplomat". Mr Francisco Soberon, central bank president, visited Cuba's main creditor nations in September in an effort to unblock stalled

Cuban debt negotiations.
This diplomatic flurry contrasts sharply with the defensive mentality of the early 1990s, when the Cuban leadership was still struggling to come to terms with the abrupt collapse of the Soviet bloc alli-

uba is also seeking to cement friendships with old enemies. Touring China in early December. Mr Castro said the two nations were like brothers. But many Cubans remember the ideological war of words between Havana and Beijing in the 1970s, which reached its peak over the brief Chinese invasion of Vietnam at the end of the

decade.

foreign investment. One world stage which he used to his advantage was the United Nations 50th anniversary celebration in New York Now Cuba wants to learn

considerable charisma, with

international platforms from

which to publicise his stand

against the US and his govern-

ment's new policies of eco-

nomic reform and opening to

in October. He shrugged off

official snubs from Mr Clinton bining capitalist-style reforms and the mayor of New York, with one-party socialism.

Many of the states visited by addressed public railies, met US business leaders and Mr Castro were hosting big churchmen and commanded massive media attention. international meetings. For example, a world forum on social issues in Copenhagen in Cuban state media hailed the trip as a "victory Cuban officials point to the March, the inaugural summit

overwhelming UN General of the Association of Caribbean Assembly vote on November 2 calling on the US to lift its States in Trinidad and Tobago in August, the Ibero-American summit in Argentina in Octoembargo as an example of how ber and the non-aligned sumthe diplomatic campaign is paying off. mit in Colombia the same Underpinning the new, out-These provided the Cuban leader, who can still generate

ward-reaching mentality in Havana is increased confidence about the situation at home. "He [Mr Castro] must be 100 per cent sure of things at home to spend so long outside the island," one Havana-based diplomat said.

The Cuban leader clearly feels confident enough to leave the day-to-day running of the nation in the hands of his younger brother, Mr Raul Castro, the defence minister, and a

increasing responsibility, espe-cially for economic matters. president Carlos Lage, in his early 40s, who appears to be acting as a kind of de facto prime minister. Cuba's rulers, from Mr Cas-

tro downwards, are upbeat about the future. They repeat, like a mantra, the following argument, evoked most recently by Mr Raul Castro: Today people in the world are not talking about whether Cuba will disappear or not. They are discussing how long it will take us to completely recover."

Cuban officials regularly cite a raft of statistics to back their assertions that the economy is beginning to grow again after four years of contraction, that foreign investment and exports are increasing and that financial and monetary reforms are starting to bear fruit.

Lobby Correspondent

Mr Tony Blair, leader of Britain's main opposition Labour party, will tomorrow seek to reassure Japanese businessmen that a Labour-run Britain will remain an attractive prospect for inward investment

The Labour leader, who begins a short tour of Japan and Singapore today, will tell an audience of Tokyo husinessmen that under Labour there will be "no return to uncompetitive

Mr Blair will say that Labour is

regulation of markets in a climate of low-state interference, low inflation and no wholesale repeal of trade

He will also argue that his party's plans to invest in reskilling and educating the workforce make Britain a "better bet" under Labour.

Mr Blair's wider message is that Labour is ready for the challenges of increased globalisation, which he will describe as the "defining economic movement of our time". Preparing for the resulting increase in job insecurity and displacement of people and businesses, requires a substantial dedicated to free trade and believes in investment in "human capital".

Labour's desire for a "high skill, high technology economy" with a well trained workforce presents the best hope of meeting the challenge. A further dimension to Labour's international push will see Mr Gordon Brown, the shadow chancellor, flying to Washington today to meet Mr Robert Rubin, the treasury secretary and other senior members of the Clinton administration.

In Singapore Mr Blair will meet Mr Chris Smith, his social security spokesman, who is there to study its welfare system, the Central Provident Fund, as part of his own review of Labour's benefits policy.

While the Labour leader was en route to Japan yesterday his deputy, Mr John Prescott, was heading a strong attack on the attempts by Mr Arthur Scargill, the miners' leader, to launch a new socialist party.

As details of the intended new con-

stitution of the Socialist Labour party (SLP) emerged. Mr Prescott derided it as "a lot of huffing and puffing".

The nine-page document, drafted by two leading QCs, states that those who "join or support" any other political body would be ineligible for membership of the new party.

This would prevent hard-left Labour members from belonging to party.

both parties. However, Mr Prescott said there was never any chance of Labour allowing dual membership. "If Arthur was to establish his own

party and was clearly against the aims and interests and the constitution of the Labour party, he would no longer be a member of the Labour

Mr Kim Howells, Labour's trade and industry spokesman and a long-standing opponent of Mr Scargill, was more scathing, describing the leader of the Miners' union as a "com-plete megalomaniac" and calling for his speedy expulsion from the Labour

Purchase prices index

figure include Ecu Treasury bill proceeds.

made under the public sector exchange cover

scheme, which protects the public sector

Repayment of long-term debt reduced the

against foreign currency fluctuations.

repayment of long-term debt and repayments

increase in year one, followed by the rate of inflation for the next two years. The General Motors subsidiary has also offered to cut an hour off the 39-hour working week. Union negotiators last month reluctantly recommended the

UK NEWS DIGEST

offer, but workers are unhappy about proposed changes to working conditions. Meanwhile, a meeting next week will make final arrange ments for a strike ballot of Ford's 22,000 manual workers, whose negotiators have unanimously rejected the company's "final" 9.2 per cent two-year pay offer. Andrew Bolger

Car workers set

The majority of Vauxhall's 7,700 manual workers are today

expected to reject the motor group's three-year pay offer, in

spite of a narrow vote yesterday in favour of acceptance by a

mass meeting of AEEU engineering union workers at the

Members of the TGWU general union will hold a mass

meeting at Ellesmere Port today, and members of both unions

will also attend a joint mass meeting at the group's Luton plant in Bedfordshire. The offer is a 4.5 per cent basic pay

to reject offer

Ellesmere Port plant in Cheshire.

Nissan opens £10m data centre

Nissan, the carmaker, has set up a £10m (\$15.3m) European data centre in north-east England to control production at its Sunderland and Barcelona manufacturing sites and to admin-ister the company's European vehicle distribution network.

The centre, which has just become operational, is based at Nissan's plant in Sunderland, Tyne and Wear. It integrates existing computer systems used by the Japanese carmaker at its two European vehicle plants and its distribution network. The new centre is expected to improve the company's efficiency. The investment has created about a dozen new jobs at the Sunderland plant. Chris Tighe, Newcastle

Life companies question ranking

Wide-ranging information showing which life assurance companies charge customers the most for certain types of policy was published yesterday by Britain's Personal Investment Authority, the watchdog which protects the interests of private investors.

The move sparked opposition from some life companies, which questioned whether publishing these figures was a proper job for the industry's regulator and whether the tables of numbers would be useful to consumers. The PIA released the information, which relates to policies being sold on October 1 1995, to coincide with the first anniversary of the new regime requiring sales agents and advisers to tell investors more about the policies and charges they might pay.

The PIA said it was publishing the figures as part of its commitment to an open and transparent market. The regulator also released the first figures compiled on a common basis across the sector for the rate at which customers give up long-term policies early. Alison Smith. Financial staff

Summer visitor numbers up 12% The number of overseas visitors to the UK rose 12 per cent in

the three months to October 1995, compared with the same three months the previous year, according to figures issued vesterday by the Central Statistical Office.

A total of 6m visitors spent £2.8bn during the period, 10 per cent up on 1994. Ms Adele Biss, who chairs the British Tourist Authority, said the figures indicated it had been the best October on record. Visits abroad by UK residents rose by 3 per cent during the three months to 10.4m, with spending rising 6 per cent to £3.8bn. Diane Summers

Lottery ticket sales set to defy the odds

More than 80m lottery tickets are likely to be sold this week to a population mesmetised by the prospect of the biggest UK National Lottery jackpot yet. The punters' rush for a

chance to win a "double rollover" top prize likely to be worth about £35m (\$53.5m) accumulated after two weeks without a jackpot winner - has not been slowed by statements yesterday from Oflot, the lottery regulator, that tickets were "a bad bet" and from Camelot, the lottery operator, that anyone spending millions of pounds on the lottery to guarantee a win were "crazy".

Their pronouncements came after tabloid newspapers revived the idea that an Australian syndicate was prepared to pay £14m to buy enough £1 tickets to cover every possible winning combination. Oflot and Camelot insisted that even if a syndicate overcame the practical problems of filling in millions of tickets, it would have a less than 50 per cent chance even of recovering its

The proof lies in the difference between the odds of winning and the likely return. The odds of guessing the six correct numbers out of 49 is about one in 14m. Buying 14m tickets - one for every combination of six numbers - would return £35m looks good. But the prize in the National Lottery is divided between how-

ever many people guess the winning combination. With 80m tickets sold, and only 14m possible combinations of numbers, each combination will have been picked almost six times on average. A £14m stake may be certain to win, but the odds are that its share of the jackpot would be one sixth, or roughly £6m - a loss of £8m. The statistics have not stopped long queues forming at lottery ticket outlets. Camelot said 5m tickets were sold on Tuesday, normally one of the slowest days of the week

Enthusiasm may be being fuelled by stories that the sheer size of the top prize has attracted the attention of the Australian-based International Lotto Fund, which is reputed to have made 12 big lottery

for sales.

When the Australian syndicate won \$27m in the US's Virginia state lottery in 1992, it had been able to buy many of its 5m tickets 10,000 at a time from a grocery chain's head-

wins around the world. have to fill in the millions of entry tickets by hand before Saturday evening's draw.

A £14m bet that would

But any syndicate would still

Slight fall in manufacturing prices By Gillian Tett,

Fresh signs that price pressures remain subdued in the UK manufacturing sector emerged in a business survey yesterday.

The purchasing managers index, which asks 300 companies about the cost of the goods they purchase, showed that slightly more prices fell last month than rose. This was the second consecutive month in which prices were slightly lower, and marks a contrast to the pattern seen earlier last year when most

prices were said to be rising. The data are likely to be welcomed by the chancellor, who has argued that price pressures in manufacturing would ease towards the end of 1995. However, other elements of

the survey painted a mixed picture of manufacturing activity. There is still little sign of a sharp decline in activity, according to the survey. But there is also little evidence of the type of sharp rebound forecast by the Treasury. The level of new orders

reported by companies fell back between November and December for the second consecutive month. This fall may have reflected

a decrease in companies' stocks of finished goods, as businesses met demand from warehouses rather than making fresh purchases. But companies were also less

Economy: Companies report acceleration in rate of job creation

Mixed picture for manufacturing

The UK's official reserves fell by \$348m (£226m) Erratic items not counted in the underlying

Gillian Tett writes. This brought the overall level of reserves to \$46.99bn at the end of 1995, down from \$47.33bn at the end of November. Measured without erratic items, however, the underlying change in the reserves was a fall of \$36m.

concerned about their excess

in December, the Treasury said yesterday,

stocks in December than November - suggesting that there is no widespread destocking panic. Businesses still continued to increase their output - at an even faster rate than the previous month. The output index in December was 53.3 per cent. According to the way the surday prompted a mixed vey is conducted, any figure

above 50 per cent indicates monthly growth. Companies also reported a slight acceleration in their rate of job creation, which may also

reserves by \$146m. indicate growing confidence in and could weaken further. the future.

Consequently, the overall purchasing index, which collates data on stocks, prices, output, delivery times and orders, recorded a level of 50.7 per cent in the month, up from 48.9 per cent in November. This patchy picture yester-

response from the City. Some economists, like Mr Jonathon Loynes of Midland Global Markets, suggested that it showed that manufacturing activity remained very weak -

But others argued that the survey should scotch fears that manufacturing could be heading for a slowdown.

Broken down on a sectoral basis, the strongest upturn in output was reported in the consumer and intermediate goods industries, with investment goods showing greater weakness in both output and orders. The investment goods sector

reported the strongest prices rises, with prices in the intermediate goods sector said to be

Pressure for further action on reform of competition law

ment begins public consultations on its plans forreforming UK competition law, it might reflect on the experience of the people of Darlington in northern England.

expe

Their municipal bus company was driven out of business in 1994 after Stagecoach, the national bus operator, moved into the area, offering free travel for five weeks and poaching its drivers.

As passengers, local people were delighted at the results of such competition. But as council-taxpayers, they were less pleased when the 100-year-old bus company went into receivership, with a loss of £1.4m (\$2.14m) for Darlington's local authority.

The Monopolies and Mergers Commission described Stagecoach's tactics as "predatory. and deplorable". But despite such condemnation, the com-pany cannot be sued by those who have lost money. As Mr Nick Wallis, chairman of Darlington council's transport committee, says: "The MMC produced a first-class report. But there was no redress."

Critics of the regulatory regime - led by the Consumers' Association and small business groups and supported by the opposition Labour party believe that radical reforms are called for to outlaw such predatory practices. These would include punishing those found guilty of "anti-competitive" behaviour with fines and exposing them to claims for compensation.

Yet little in the government's tentative plans for overhauling the system would prevent a repetition of the sort of tactics used in Darlington - or compensate victims. Mr Ian Lang, the trade and industry secretary, indicated that a modest reform was all that was required when he announced plans last year to publish a consultative paper on competition policy early in 1996.

The existing system langely excludes the courts from competition issues, dividing responsibility between three authorities: The Office of Fair Trading handles preliminary investigations into alleged cartels and anti-competitive practices, as well as into planned takeovers.

hen later this year the British government's stance

in-depth studies. • The trade and industry secretary generally has final

authority over action taken against companies found to be acting in breach of the public interest. His main sanction is the administrative - order, which can ban an anti-competitive practice or forbid a merger. He can also impose conditions. on a company such as requiring it to sell parts of its businesses.

The only involvement of the UK courts in competition policy comes with cartels which are illegal unless they have been approved by the Restrictive Trade Practices Court. The court gives its approval if it thinks a cartel operates in the public interest - as it did for many years with the recently defunct Net Book Agreement, which controlled book prices.

This UK system operates alongside the much tougher regime of the European Union, which governs EU-wide competition matters such as crossborder mergers and allegations of anti-competitive practices in international markets such as

Advocates of reform argue that the system leaves so much to the discretion of the trade and industry secretary that it is prone to fall under political influence. They claim that the Conservative government has used this discretion to avoid intervention and to favour big business. In 1989, for example, the government watered down recommendations by the Monopolies and Mergers Commission to weaken the links between brewers and pubs after intense lobbying by the

industry. Advocates of reform argue that privatisation has made change more urgent by creating a new breed of giant companies operating in monopoly or near-monopoly markets. Last month Mr Don Cruickshank, the telecoms regulator, warned that the further liberalisation of telecoms would be delayed unless he was given extra powers to deal with anticompetitive practices at British Telecommunications.

Reform has been on the Tories' agenda since the late

• The Monopolies and Merg- 1980s when trade ministers ers Commission carries out such as Mr Peter Lilley and the late Lord Ridley hoped to change competition law to promote more red-blooded capitalism. But there has been little progress since Mr Michael Heseltine returned to the cabi-net in 1990. He took charge of the Department of Trade and Industry in 1992 and has retained influence over economic policy since his move to deputy prime minister. Mr John Kay, professor at the London Business School, says: "Heseltine instinctively sup-

ports national champions." Ministers deny any bias or weakening in the enforcement of competition law. Mr Jonathan Evans, until recently the minister for competition policy, says: "We support a dynamic competition policy.'

DTI officials point out that no evidence of bias towards big companies was found during a critical examination of competition policy last year by the Commons trade and industry committee. However, it concluded there was too much "political intervention" in competition issues and urged strengthening the regulatory framework.

The committee called for a merger of the Office of Fair Trading and the Monopolies and Mergers Commission into a single authority to avoid duplication and speed up investigations. This proposal also has powerful support from Sir Bryan Carsberg, the former director-general of fair trading.

he committee also backed the adoption of the prohibition principle in competition law, which would involve outlawing cartels and abuses of monopoly power. There would be fines for offenders, and victims of anti-competitive practices would be able to sue for dam-

ages.
"We need criminal sanctions think to make companies think twice." says Mr Stephen Locke of the Consumers' Association One advantage in adopting the prohibition principle is it is already applied in EU-wide competition policy. UK companies with experience of doing business in other EU countries

are thus familiar with it. The government is considering adopting the prohibition principle for cartels, because such producer agreements are relatively easy to define and police. It would simplify the cumbersome procedures for declaring cartels illegal and make it easier for victims of

cartels to seek redress. But ministers say blanket prohibitions against anti-competitive behaviour would be difficult to define and supervise and would involve business in too many costly legal actions. And the government is opposed to bringing the courts into competition law, since this would impose new red tape and heavy legal expenses on

Ministers also oppose the committee's recommendation for merging the two bodies -they believe the separation of authority prevents abuse of power. They like what Mr John Bridgeman, director-general of fair trading, calls the "delicate balance" of the existing institu-

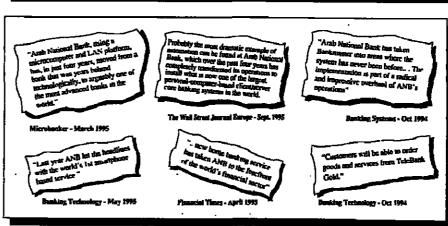
The government is considering boosting the Office of Fair Trading's powers to accelerate its investigations and make them more rigorous by giving officials the right to seize documents from unco-operative companies. It would also be given important rights to slap injunctions on companies while they are under investigation to prevent them repeating suspected abuses during the probe. But the last word on competition issues would remain with ministers.

The government's stance is largely endorsed by the Confederation of British Industry, with most large companies supporting the government's approach, according to Mr George Mason, CBI policy director. However, more radical change to harmonise the UK with EU competition rules is favoured by some companies with extensive European-wide

As more British companies increase their activities in other EU states, the balance of opinion among big businesses could shift towards a more general prohibition system. But for the moment, the government is unlikely to bring forward more radical reforms. Like the people of Darlington, victims of predatory behaviour

ARAB NATIONAL BANK PUTS SAUDI ARABIA ON THE INFORMATION TECHNOLOGY MAP!





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When the eyes have it

🕇 omputers have overtaken human brains as calculating machines. They have recently beaten the best chess players. But in some information processing tasks brains still outperform supercomputers.

Seeing is one such task. Receptors in the eye convert light into electrical signals for analysis by the brain. Electronic hardware can capture images but analysis requires human intervention. Recently it has become clear that the brain analyses different aspects of the image – particularly colour, encoded by differences between the signals from wavelengthselective "cone" receptors, and motion, encoded by variations in timing of signals from different locations - in different processing modules.

In the journal Nature, Simon Cropper, of the University of Wales at Cardiff, and I show that there must be another module that combines the tasks and analyses the motion of coloured stimuli. One indication that colour and motion are analysed separately is that the motion of a coloured stimulus with no variations in brightness is hard to see. The brain uses colour to distinguish objects from their backgrounds; our colour vision probably evolved to detect fruit against foliage.

Brightness is the primary source of information about motion. It was thought that colour signals motion either by weakly activating a mechanism selective for brightness, or because we gradually notice that a coloured object is no longer where it was.

Cropper and I dismiss this second possibility by showing that humans can tell the direction a colour stimulus moves when it only lasts 17 milliseconds, not enough time to analyse changes in location. Subdividing the task of image analysis in this way may eventually allow computers to compete with brains.

Andrew Derrington

The author is professor of psychology at the University of Nottingham.

he modern Olympic Games have left a trail of glittering sports stadiums and other structures around the globe since their inception. At the 1996 event in Atlanta, Georgia, a new sort of legacy will be passed on after the competitors have gone home, one that may be just as important as the grandiose new Olympic Village itself state-of-the-art telecommunications technology.

As cranes and construction crews erect new facilities above ground, an invisible transformation is taking place beneath Atlanta's streets

and along its airways.

Nearly 150 miles of fibre optic cable is being laid in the Olympic Village alone, and the private sector is putting together a telecommunications service sophisticated enough to make any corporation drool.

Atlanta is set to become one of the best-wired cities in the world for multimedia communications, an accomplishment the city believes should continue to attract businesses to the area long after the Olympic banners are put away. (The city has scored some high visibility coups over the last few years, when it convinced courier service UPS and Holiday Inn Worldwide to

"The Olympics is already worth about 10,000 jobs a year, and the new technological infrastructure will continue to fuel economic growth through the end of the century," predicts Donald Ratajczak. director of the Economic Forecasting Centre at Georgia State Univer-

Until now, the main focus of an Olympic host city has been on how to build the necessary physical infrastructure, and what to do with it after the Games were over. These worries have not been set aside for the 1996 event. Yet in Atlanta, government officials are as concerned with technological preparations as they are with building construction.

The private sector is investing heavily in communications technology in the city. Bell South is put-ting \$50m (£32m) into wired communications, and \$77m into wireless. AT&T has a \$40m supply contract with the Atlanta Committee for the

Olympic Games.
"The 1996 Olympics coincides with a worldwide telecommunications revolution that encompasses cable television, the Internet and fibre optics," says Paul Harman, director of the 1996 Olympics programme at Bell South.

Cutting edge wireless technology will probably be an important leg-acy of the Games. "Wireless is coming into its own," says Terry Suttles, Olympic marketing manager of AT&T Network Systems. "We're seeing the drive on both sides. On one hand, the Olympics are a great showcase for the new



State of the art

Atlanta has installed telecommunications fit for the Olympic Games and beyond, reports Victoria Griffith

technology. On the other hand, people will be coming to the Olympics loaded up with computers, cellular telephones and other equipment they expect to use without hitches. The city has to be ready for that

As a result, two-way paging system and cellular telephone capacity will be doubled. Although some of that capability will be transferred to other cities after the Olympics, most of it will be left in place. Bell South is also installing sophisticated multiplex equipment, which expands existing data lines' carrying capacity three times.

orty synchronous optical network rings, which automati-cally reroute calls in case of a break in the communications line, will also be put in place. As well as aiming to make the Games run smoothly, Bell South is installing new equipment in an effort to ensure that the increase in demand during the Olympics for transmis-sion services - of voice, data and images - does not disrupt the work of its customers operating within the 1.5-mile area of Olympic venues and activities in downtown Atlanta. Among Bell South's services dur-

ing the Olympics will be its Crisis-link, which reroutes calls if custom-

ers are unable to answer on their usual telephone line. For example, if traffic congestion prevents cus-tomers reaching their office, calls can be rerouted to their home or to another branch.

Motorola is designing a secure radio system for Olympics security personnel to use during the Games. Radio conversations - either scrambled or unscrambled - will be extremely difficult for outsiders to eavesdrop on. Motorola is also negotiating a deal to sell the system to Georgia's state police after the Games are over. "The final price will take into consideration the fact that the system will already be in place," says Merle Gilmore, president of the Land-Mobile products

sector of the company. Smaller companies look set to benefit from Olympics' communications advances as well. The executives of Panther, a television content provider for magazine shows and educational broadcasts, plans to shape company strategy around preparations for the Olympic Games. The company will act as host for many of the NBC network affiliates during the competitions, and is installing systems to send video directly to stations across the country during the sports events.
"During and after the Olympics,

content provider to being a distributor of video products too," says Jack English, president of the company. We've now got fibre running down the street outside, and all the facilities will be hooked to fibre. That will allow us to just send video directly to networks rather than purchase satellite capability or send up a video. We'll be practising desktop broadcasting."

Other areas, too, are taking part in Atlanta's technological revolution. The city is putting in place transport systems, for instance, that will co-ordinate traffic lights in town to maximise traffic flow. Cameras will be mounted on freeways to facilitate traffic policing.

The icing on the cake for the city,

however, will be telecommunica-tions facilities being constructed under the pavement and along the "Deep South" airways. Economists are predicting that the advances will have a long-term impact on the city's capacity to attract jobs. "After the Olympics, you'll be

able to put Atlanta up against any city in the world for sophistication of its communications infrastructure," said Ratajczak. "That's a pretty powerful pull for any company deciding where to do business these days.

Worth Watching · Vanessa Houlder



Beating those flat battery blues

Gauging when batteries need replacing is often a matter of guesswork. That can lead to intense frustration when it comes to the unexpected discovery that batteries in a camera or a Christmas toy have gone flat.
Duracell and Eveready, US
battery manufacturers, have both
tackled this problem by
developing on-battery testers that
give users a visual indication of

the power level. The difficulty in estimating battery power levels can also be frustrating, as the old batteries get muddled up with the new when they are being replaced.

The companies have both developed devices which determine the amount of energy left in a battery by measuring the amount of heat it can generate. When dots on the side of the battery are pressed, a display shows whether the battery is

fully-charged or needs replacing. The launches of the Duracell PowerCheck batteries and Eveready's Energizer on-battery tester will begin in the US in the late spring of 1996.

Eveready: US, tel 314 982-3926; fax 314 982-1211. Duracell: US, 203 796-4000; fax 203 796-4269.

Robots report for sewer inspection

Sewer inspections are usually carried out using remote-controlled video cameras. But the images do not always reveal which cracks need the most urgent repairs.

German researchers have designed a robotic system fitted with optical, ultrasonic and microwave sensors that can detect faults in the walls of the pipes. The equipment can be adapted to handle the related problems of pipe and container inspection. The project was funded by the Federal German Ministry of

Research and carried out by a number of organisations, including the Fraunhofer Institute for Information and Data Processing.
Frounhofer Institute for Information and Data Processing: Germany, tel 7216091310; fax

Cleaning out 'sick buildings'

"Sick building syndrome" - a malaise usually associated with inadequately ventilated offices is often blamed on the build-up of mould, dust and bacteria in ventilation ducts in buildings. In many structures, these are notoriously difficult to get

Prime Clean, a Swedish company and the Royal Technical University in Stockholm, have developed a method of cleaning ventilation ducts using rotating brushes and compressed air.

The system uses a cleaning nozzle which forces compressed air through the ducts, using the same principles employed in a jet aircraft. The cleaning nozzle rotates around the duct.

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Dirt in the ducting is blown out by the compressed air when the nozzle is pulled back. Up to 50m can be cleaned using this method. which reduces the need for expensive access hatches.

Prime Clean, Sweden: tel
24040500; fax 24041320.

High-quality document storage

Sony has developed a document storage system designed to take users a step closer to the paperless office, writes George Cole

The system uses Sony's MiniDisc, originally designed to store around 74 minutes of high-quality digital music on a 2.5-in magneto-optical disc. A MiniDisc can store the equivalent of 140MB of data, or about 1,000 pages of text and graphics.

The PDF-5, or MD Data Eata, is a desktop device that incorporates a scanner, microprocessor, MiniDisc drive, inkjet printer and 8-in LCD screen. The PD-5 costs around Y150,000 (£955). Sony has also produced a Picture MD System which stores 200 high-quality photographic images on a MiniDisc.

Sony, Japan: tel 354482111; fax 354485577.



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institutional investor interested in the bank in Turkey to disclose its finan-Turkish market, a Japanese manufac- cials to Standard and Poor's, Garanti turer making a long-term investment was selected as Turkey's "Best Bank" in Turkey or a European trade com- by Euromoney in July 1995. Garanti pany doing business here, you surely ranks fourth in the world in terms of will like the way we serve the tea. Just like our banking.

national markets signifies, we operate "A" rating by Capital Intelligence for according to the highest standards in three consecutive years. A \$200 mil-

return on assets according to The Banker and is the only multibranch As the success of Garanti in inter- bank in Turkey to receive a long-term

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London Borough of Recibridge operates a balanced portfolio with a total market value of approximately \$150,000,000. The appointed investment Manager will provide the Council with discretionary investment management for approximate half of the portfolio. They will have absolute discretionary powers to invest the

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effecting and ensuring best execution of transactions in assets. The contract, determinable without notice, should commence on 1 May 1996 and will run for a maximum period of five years.

Potential tenderers must apply in writing to the Acting Director of Finance at the address given below for the pre-tender questionnaire. Mr. M. Jennings, Acting Director of Finance, London Borough of Redbridge, 22-26 Clements Read, Illord, Essex IG1 18D. Tel 0181 478 3020.

Deadline for Receipt of Questionmire: 15th January 1996 (16.00hrs)
Prospective tenderers are noted to provide the following information. Bankers' references and relevant professional risk indemnity in at of accounts and accounting police

Proof of IMRO registration:

Pridence of providing similar contracts to public bodies over the last th

Numbers and type of funds managed and three refer nberships of relevant bodies; and

onstration of knowledge of the rele ion Scheme Regulations 1995.

Any questions on investment issues should be made to Rate McLaughtin-Hyun (Ext. 4321) or Niro Nathan (Ext. 4324). A similar notice was desparched to the Office for the Official Publications of European Communities on 5th December 1995.

CONTRACTS & TENDERS





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The amount of costs related to this supply will be covered by COPEL's OWN resources. The Bid Documents will be available to bidders from January 3",

1996 to March 19th, 1996, against payment in Brazilian currency of R\$ 150,00 (one hundred and fifty Reals), at the following addresses: Superintandência de Obras de Geração Rua Voluntários da Pátria, 233 - 5º andar - sala 504 80020-000 - Curitiba - PR Telefone (55-41) 322-1212 - ramat 5541 Telefax (55-41) 331-3265

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At the time of Bid Documents purchase, all companies shall esent a letter containing their complete mailing addres The receipt of Pre-qualification and Bid Documents is scheduled for March 20°, 1996, at 2:00 P.M., at COPEL's office meeting room, in Curitiba, Rua Voluntários da Pátria 233, ground floor.

The Bidding will be ruled by Law n. 8666, dated June 21, 1993, erations introduced by Law n. 8883, dated June 8, 1994 and by other conditions stated in the Bid Documents.

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Denot this 4th day of Japany 1996
ASHURST MORRIS CRISP
Benefacilit House

Broadwalk House Reference: SAW/132927 Solicitors for the said Comp

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Fissure, fright and subversive farce

self-congratulation: anyone trying to pat himself on the back risks dislocating his shoulder. Nonetheless, I insist on proclaiming "I told you so" about Lars Von Trier. I have sung this Danish director's praises ever since his bizarre debut The Element Of Crime and three years ago, in an interview on these pages, I prof-fered comparisons to Welles and talked of Trier "planting a bomb under movie convention."

Now everyone is rhapsodising rightly - about *The Kingdom*, his 4%-hour television mini-series showing on the large screen at the ICA. This tale of a haunted hospital is not, be warned, Casualty or even ER. It is more David Lynch mixed with hallucinations from Edvard Munch. There is a ghost child in the lift, a severed head in a plastic bag, a pair of Downs Syndrome children speaking chorus-like lines in the kitchen ("The wicked will laugh, the good will cry"), an outbreak of voodoo, and a main character of sumptuous eccentricity. A sarcastic Swedish neurosurgeon bubbling with hatred of the Danes, he is played by Ernst Hugo Jarogard as if on leave from one of the great Berg-man tragicomedies.

The Kingdom is completely serious and completely funny. As in Trier's earlier films, notably his little-seen *Epidemic*, he displays a genius for spectral minimalism. The opening is a slow-motion fantasy tableau depicting, in misty monochrome, the "old bleaching ponds" on which the hospital is built. "The signs of fatigue are appearing in the solid, modern edifice" chants a dis-embodied voice, readying us for the next 270 minutes of fissure, fright and sly subversive farce.

The monster hospital is, of course, a monster metaphor: for the scary multi-layering of human life. Like the bodies and souls being treated within it, the place is prone to decay and breakdown, to rapture, rupture and paranoia. The film begins with an administrator's breezy campaign to rationalise the establishment, but "Operation Morning Air" soon gives way to the chain of accidents and fatal encounters in morgue or lift shaft, operat-

ing room or masonic chapel. The characters have the louche, luminous individualism we know from previous Trier films. The old woman who insists on re-admission to the hospital every time she is

he human body was sent home, and who fights imagined designed to discourage malpractice with ardent spiritualism; the surgeon who plays jokes with "spare parts"; the earthily attractive lady doctor (Jarogard's mistress) who may very probably be a ghost. None of these characters is oversketched or overplayed. Each steps into the ballet of Trier's miseen-scine, which makes a virtue of the diminutive budget. The soft-definition black and white, shading into seedy jaundice-yellow, makes this a spook world where anything can happen and almost certainly

> THE KINGDOM Lars Von Trier

SEVEN David Fincher

SOMETHING TO TALK ABOUT Lasse Hallstrom

HORSEMAN ON THE ROOF Jean-Paul Rappeneau

FOUR ROOMS Allison Anders, Alexandre Rockwell, Robert Rodriguez, Quentin Tarantino

The last time I led this column by urging the world towards a little-known film at the ICA, I was upon by an FT colleague who had gone, seen and not been captivated. But I have no qualms about doing it again here. The Kingdom is a wonderful movie and the first certainty for the Ten Best of 1996.

The nameless American city of Seven is possessed by as many evil spirits as Trier's Copenhagen. In this murder thriller with a twist in its tail - no, more a Dostoevskian convulsion - Morgan Freeman and Brad Pitt play homicide detectives wading through horror and urban decay to find a serial killer who patterns his crimes around the seven deadly sins.

Director David Fincher, formerly of pop videos and Alien 3, paints an America of diabolical dishevelment. Photographed by Darius Khonji, the peeling shadow-stricken interiors and the infernal street scenes

1994 Measure for Measure was excel-

lent, but - especially since the RSC

almost suffocating in rain have a poetic-elemental force that ensures the film's images match its high-faluting invocations (Dante, Chaucer, Aquinas).

Initial moments may threaten that deadly blend, genre formula souped up with jaded excess, but the film's brutal originality soon takes hold. The killers' murder methods, far from being gratuitously kinky, have a slow-revealed logic as horrible as their surgical reality. And the final act takes us into the heart of madness, in a landscape as flat, vast and unnerving as the Hitchcock cornfields where Cary Grant met his crop-sprayer.

First-time screenwriter Andrew Kevin Walker must have had a dis-turbed childhood but should go on to have a fulfilled and lucrative adulthood. His two detective heroes are so much more richly conceived than the usual veteran/rookie cutouts that Morgan Freeman and Pitt feed on the roles like tigers.

Pitt has the showy moments, but Freeman builds a seeming lifetime of hopes, torments and memories into his old-timer's lined and gullied face, slow rasp of a voice and occasional dry, sardonic twinkle in the

Something To Talk About was written by Callie Khouri, who scripted Thelma And Louise. What ever can have happened to her between projects? The feminism is here again, but it is lost in two hours of Southern soapiness about a betrayed wife (Julia Roberts), the antics of her remorseful husband (Dennis Quaid) and an all-star ranch-owning family who might have been airlifted from dear lamented Southfork.

Robert Duvall is the substitute J.R. Ewing, all lovable scowls and unstate-hillbilly vowels. Gena Rowlands is his wife and the heroine's mother, a face forever emoting in windows or doorways. And Kyra Sedgwick is the sister, seemingly scripted to conform to the adjectives "sassy" and "feisty." She has all the best lines, but even tomboy siblings would surely hesitate before kneeing an errant brother-in-law in a place that should be restricted, whether for love or punishment, to his wife.

Sweden's Lasse Hallstrom (My Life As A Dog) directs as if assembling an ill-manufactured jigsaw. He knows the pieces do not fit, but somehow, anyhow, he will jam them together. The oldies come off best. Row-

There are more temperamental equines in The Horseman On The Roof. France's Jean-Paul Rappe-

Theatre/Alastair Macaulay

Cheek by Jowl's 'Duchess of Malfi'

lands, unlike her daughter, seems an inhabited human being, and neau, overpraised for Cyrano De Bergerac, repeats the flashing Duvall has a loopy rural charm and swords and flying cloaks with a dignity, even when required to lesser text and comes an unsurprisclimax his performance by falling ing cropper. Juliette Binoche and Olivier Martinez are the girl and hussar swishing through war-andcholera-torn 1830s France as the plot and script (based on a novel by Jean Giono) hasten into vacuity.

Monster hospital as monster metaphor: Peter Mygind in Lars Von Trier's "The Kingdom"

Four Rooms is worse: four comic stories set in the same imaginary flea-bitten Hollywood hotel, written and directed by four film-makers who should know better. An overacting Tim Roth appears in each of a chopped finger. Avoid.

tale as the bellboy and Quentin Tarantino directs and stars in the last, the parodically Tarantino-esque tale Anton: a uninflected and uninvolved Scots outsider, in whom Bosola's occasional flights of wit, rather than of natural affinity; intellect, and remorse scarcely ring true. True, the production gains considerable vigour from the clever way these characters are set against each other. Thus an interchange between the Cardinal and Ferdinand makes great contrast between

the former's slow and harsh deci-

siveness and the latter's brisk and

aggressive nervousness; but mean-

while each character stays too fixed and monotonous. Though Cheek by Jowl deserves an important place in our theatrical firmament, it deserves argument too. By the end of As You Like It, its merits had swept me up in nearoblivion to its contrivances. John Webster's The Duchess is, however, a weaker play. Cheek by Jowl's way with characterisation and narrative only exposes some problems not only of Webster's dramaturgy but also its own company style.

Wyndham's Theatre until January

Concert Enterprising Rogeri Trio special attraction of the Rogeri Trio's Wigmore Hall concert on Tuesday was their enterprising programme. Piano trios by the young Chausson (then 28), the even younger Shostakovich (17) and dear old Fauré (wonderful at 78, with a string quartet still to come), and a bonbon from Chick Corea: not a "standard" work among them, except perhaps by courtesy the Fauré, which is more respected than performed – and yet they made a programme eminently worth hearing, and it drew an appreciative audience. The young Rogeri team, whom I should guess to be in their mid-20s, are named after the maker of Peter Adams' cello (Giovanni Battista Rogeri, in 1697). That points toward the unusual balance of this trio, in which it is neither the planist nor the violinist who leads, but the cellist. Adams boasts a large, beautiful, forward sound and patent authority. The violinist Nadia Myerscough matches him in spirit, but her refined tone is less expansive. At the piano, Yoshiko Endo has good fingers and a broad, well-balanced sound in big romantic passages; also a penchant for dogged tempi, fast or slow, impervious to the flexible pulse of

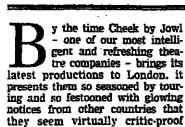
Endo was at her best in the Fauré trio (apart from being too loud her bass octaves regularly submerged Myerscough); her plainness in this music amounted to real stylishness. There are kinds of subtlety to which late Fauré should never be subjected, for the gentle-voiced music of his last years is so compactly intricate that we really need to hear it plain. The Rogeri performance, forthright and glowing, took the curse of bloodlessness off this spare, wiry Trio; the ideal style - translucent, spontaneously lyrical throughout lies within their reach.

he second Shostakovich piano trio is as famous as his piano quintet, but it is years since I last heard his No. 1. Memory said it was categorically different from No. 2, probably because what memory clutched at was the huge difference in impact: the scarifying intensity of the 1944 trio, with its concentration-camp echoes, against the sardonic, eclectic light-footedness of his teenage

Memory missed out the more interesting point now, which is that the earlier trio uses so many of the same devices: the insistent ostinati, the snatches of crypto-Jewish folkchant. The piano-trio is anyhow an awkward medium, a product of what just happened to be the most popular instruments at a certain time. string-players do not enjoy hearing the "well-tempered" piano constantly out of tune. At an astonishingly precocious age, Shostakovich seems to have formed his own notion of how best to deal with it.

Ernest Chausson's Op. 3 Trio is lush, fluent and acutely felt – bar-by-bar, that is, as the big tunes are flung out; the construction is more routine. The Rogeri performance was strong on grand formal rhetoric, vaguer about how to sustain the emotional tension the piece needs to keep it going. The real, off-colour delight of this Trio is its scherzo. If you fed into your computer "composer: early French-Wagnerian" and – in blissful contradiction - "model: Saint-Saens' scherzo for his celebrated G minor piano concerto", this is exactly what you would get.

David Murray



Its current production of The Duchess of Malfi has just docked at Wyndham's Theatre (how amazing that the same theatre showed another production of the same play directed by Philip Franks, with Juliet Stevenson and Simon Russell Beale - only a few months ago), outside which quotes from foreign critics hang like Christmas decorations. When a British production like this carries bravos from The New York Times, which British critic feels like carping at it?

But Cheek by Jowl - led by Declan Donnellan (director) and Nick Ormerod (designer) - deserves to stir up more local controversy than it does, especially for its stagings of plays that are more fre-

had also presented excellent productions of the same play - should have provoked more expert discussion. I loved most aspects of its As You Like It this time last year, but I found myself arguing with friends about it for weeks.

During much of its Duchess of Malfi, I kept changing my mind every minute. In sheer stagecraft it is fresh, bold and serious. In method of verse-speaking it is far more innovative and/or iconoclastic than has generally been acknowledged. In method of characterisation, it is striking, but more than a little schematic. Larger than any of these individual aspects, however, Cheek by Jowl leaves a two-part impression of anti-traditionalist intelli-

immensely artful calculation on the other, and its staging of The Duchess makes me more than ever conscious of the latter.

Compare this Duchess with the 1995 Franks staging and you see at once how much more arresting Cheek by Jowl's is. To have no set but dark curtains proves beautifully suggestive; to emphasise character by a disparate array of early 20thcentury costumes (the Duchess starts in an erect imperial gown and pearl-rope choker, Bosola in black shirt and breeches) makes a forceful impression; and to have separate scenes overlapping produces a continuity beyond what even cinema can provide, as well as a poetic attention to certain characters before and after their prescribed entrances and exits.

Tel: 49-69-21237278

11, 12, 13, 14

CONCERT

(6pm)

CONCERT

L'Histoire du Soidat: by

Stravinsky. Conducted by Mathis

Frankfurt. Soloists Include Karin

Romig, Gottfried Breitfuss. Martin

Lämmerhirt, Thomas Stache and

■ GOTHENBURG

Göteborgs Symfoniker: with conductor Sixten Ehrling and

violinist Per Enoksson perform

works by Sibelius, Bruch and

HAMBURG

and the Operachor des

■ HELSINKI

EXHIBITION

Stravinsky, 7.30pm; Jan 11, 12

Musikhalle Tel: 49-40-346920

Gala Opernabend: with the

Norddeutsche Philharmonie Rostock

Volkstheaters Rostock, conducted

by Gerard Oskamp. Soloists include

mezzo-soorano Galle Gilmore: 8nm:

Göteborgs Konserthus

Tel: 46-31-7787800

Kalle Mews; 8.30pm; Jan 6, 7, 8, 10,

Dulack and performed by the Oper

And yet Cheek by Jowl not only does not offer one piece of acting so rounded or fine as Simon Russell Beale's Ferdinand last year, it seems also not to want acting with that kind of organic life. Its best performance is that of Anastasia Hille in the title role. A greatly improved actress, she demonstrates crucial and contrasting facets of the role - royal authority, sexual urgency, nervous confusion - that Juliet Stevenson neglected; and your eye is repeatedly drawn to her strong, wilful, mobile, stupid, and compelling face; but her style, switching dramatically from one facet to another, lacks the lit-fromwithin humanity whereby Stevenson revealed conflicting impulses at one and the same time.

Other performances are considerably more schematic than Hille's.

motif for a character and turning it into a shtick. Thus the Cardinal's mistress Julia (Nicola Redmond), taking her tune from her line "You shall see me wind my tongue about his heart", keeps licking the men in her life. But these shticks proliferate most heavily around the character of Ferdinand (Scott Handy). The Duchess and the Cardinal (Paul Brennen) slap his head the same way (i.e. chastising their unruly kid brother). He, in turn, keeps abasing himself in the same servile/filial embraces to those he respects; by the time he has knelt to hug the hips of the Cardinal, the Duchess, and Bosola, he has bludgeoned you with the same point.

ter of all, is given a virtually mono-

Bosola, the most complex characchrome performance by George the estates of Rudolf and Margot Wittokower; 10am & 2pm; Jan 10 ● The collection of the late Sir John Wyndham Pope-Hennessy: auction

and collector. Among the highlights are a bronze group of "Hercules and lolus with Hydra" by Massimiliano Soldani Benzi, a miniature self-portrait by Giambologna and "Assumption of the Virgin" by Pletro di Francesco degli Orioli; 5pm; Jan

of the collection of this art historian

CONCERT The Metropolitan Museum of Art Tel: 1-212-879-5500 The Interior Beethoven: His Creative Process: discussion (4.30pm), moderated by Robin Martin, and concert (7pm) on the subject of Beethoven's inner life and creative process. The concert programme consists of works by Beethoven, performed by cellist Robin Martin, pianist Lukas Foss, violinists Krista Benion-Feeney and Laurie Smukler, and viola-player Ira Weller; 4.30pm & 7pm; Jan 6 **OPERA & OPERETTA**

Metropolitan Opera House Tel: 1-212-362-6000 La Bohème: by Puccini. Conducted by Carlo Rizzi and performed by the Metropolitan Opera. Soloists include Barbara Frittoli, Patricia Racette, Marcello Giordani, Dwayne Croft, Eduardo Del Campo, François Loup and Stefano Palatchi; 1.30pm; Jan 6

CONCERT National Arts Centre Tel: 1-613-996-5051 National Arts Centre Orchestra: with conductor Mario Bernardi,

soprano Donna Brown and mezzo-soprano Judith Forst perform R. Murray Schafer's "Gitanjali" and "Adieu, Robert Schumann": 8pm: Jan 5

■ PARIS

CONCERT Cathédrale Notre-Dame de Paris Tel: 33-1 42 301516 Requiem: by Berlioz, Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France, the Maîtrisa de Notre-Dame and the Choeur de Radio France. Soloists Include tenor Christian Johannson; 9pm; Jan 12 Malson de Radio France Tel: 33-1 42 30 22 22

 Des Canyons aux étolles: by Messiaen. Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France. Soloists include planist Roger Muraro and percussionists Francis Pettt and Jean-Claude Chazai; 8pm; Jan 10

■ SAN FRANCISCO EXHIBITION

M.H. De Young Memorial Museum Tel: 1-415-750-3600 Nothing Lost from the Original: William Wiley Looks at Art History: this exhibition consists of approximately 50 paintings, sculptures, watercolors and drawings by this American artist; from Jan 10 to Apr 7

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AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Koninklijk Concertgebouworkest: with conductor Mstislav Rostropovich and pianist Reinbert do Loeuw perform works by Oestwelskaja: 8,15pm; Jan 6

BERLIN

CONCERT Staatsoper unter den Linden Tel: 49-30-2082861 Thomas Selditz and Asher Fisch: the violinist and planist perform works by Brahms, Penderecki, Britten and Shostakovich; 3pm; Jan

■ BIRMINGHAM

CONCERT Symphony Hall Tol: 44-121-2123333 City of Birmingham Symphony Orchestra: with conductor Mark Elder, the female singers from the City of Birmingham Symphony

Chorus, violinist Lyn Fletcher, cellist Ulrich Heinen and viola-player Christopher Yates perform works by Delius, Tippett and Holst; 7.30pm; Jan 11, 13 (7pm)

■ BRUSSELS

OPERA & OPERETTA Théâtre Royal de la Monnaie Tel: 32-2-2291200 Il Turco in Italia: by Rossini. Conducted by Ivan Fischer and performed by the Orchestre Symphonique de La Monnaie. Soloists include Tiziana Fabbricini and José van Dam (Jan 6), and Rachele Stanisci and David Pittsinger (Jan 7); 8pm; Jan 6, 7

■ COPENHAGEN OPERA & OPERETTA Det Kongelige Teater Tel: 45-33 14 10 02 Parsifal: by Wagner. Conducted by Michael Schoenwandt and performed by the Royal Danish Opera. Soloists include Poul Elming. Aage Haugland and Ruthild Engert; 6pm; Jan 10

DUBLIN

CONCERT National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533 National Symphony Orchestra: with conductor Stefan Sanderling and planist Grigory Sokolov perform works by Rimsky-Korsakov, Dvorák and Tchaikovsky; 8pm; Jan 5

■ FRANKFURT OPERA & OPERETTA Theater am Turm

The Museum of Contemporary Art Tel: 358-0-90 17336312 Jeff Wall: exhibition jointly organized by the Museum of Contemporary Art In Chicago, the Whitechapel Art Gallery in London and the Galerie Nationale du Jeu de Paume in Paris. This display, which has also been on show in Paris,

includes more than 90 photographs; from Jan 5 to Feb 18 LEIPZIG

OPERA & OPERETTA Oper Leipzig Tel: 49-341-1261261 Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Monika Luck, Thomas Möwes, Annette Markert, Jana Scharkowskaya, Annelotte Damm and Hiedekatsu Choi; 7pm; Jan 6

■ LONDON

CONCERT Wigmore Hall Tel: 44-171-9352141 Maggie Cole & Friends: harpsichord-player Cole and friends perform works by J.S. Bach, Albinoni, Corelli and Haydn; 11.30am; Jan 7 **OPERA & OPERETTA** London Coliseum

Tel: 44-171-8360111 Les Pêcheurs de Perles: by Bizet. Conducted by Emmanuel Joel and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 7.30pm; Jan 6, 12, 17

NEW YORK

AUCTION Christies, Manson & Woods International, Inc. Tel: 1-212-546-1000 Old Master Drawings: this sale includes the collection of the late Professor Dr Richard Krautheimer and his wife Dr Trude Krautheimer-Hess and works from

■ OTTAWA



Economic Viewpoint · Samuel Brittan

Risks to world consensus

Worldwide demand growth has been too low and the D-Mark remains too high for stable international expansion. Hence the downside risks to official forecasts

The consensus forecasts for 1996 try to be reassuring. They member countries to rise by 3 suggest that the growth dip in the main industrial countries per cent in the year ahead. is just part of a sub-cycle in a But the estimate for 1995 is long-term expansion and that now down to 2.4 per cent. Pregrowth will return to normal dictions for 1996 have come down from 2.9 per cent, expecrates by the second half of the year. Underlying inflation ted before Christmas 1994, to (measured by the gross domes-2.6 per cent. It is notable that Goldman Sachs, which operates a similar mainstream tic product deflator) will average below 2 per cent. But there will still remain a gap of model but goes to press on its controversial size between forecasts later, has reduced its 1996 projections below those of the OECD and now expects actual and potential output Unemployment is thus expected to do little better than staonly 2 per cent growth in 1996. These reductions in expected Official analysts have taken growth rates make all the difcomfort from the worldwide ference between an expansion

fall in bond yields, which in one inclined to feebleness. the US and Japan has It is helpful to look at one area where the OECD has not amounted to 2 percentage points from previous highs. They have also been glad-dened by the "shift back been over-optimistic, but overpessimistic, namely inflation, toward fundamental values" measured by the GDP deflator. of currencies such as the dol-US inflation for 1995 now looks like coming in at 1.6 per cent, compared with an OECD forecast of 2.5 per cent just over a year ago. German infla-

OECD forecasts

1985

OECD Europe 2.9 (3.0) 2.6 (3.2) 2.7

OECD total 2.4 (3.0) 2.6 (2.9) 2.8

Figures in brackets are Dec 1994 forecasts

3.3 (3.1) 2.7 (2.0) 2.8

0.3 (2.5) 2.0 (3.4) 2.7

2.1 (2.8) 2.4 (3.5) 2.7

Nominal GDP: Group of Seven total

Real GDP growth

% change

% growth

The principal risks are seen as arising from high budget deficits. There is a lot of Saint Augustine here - make me chaste, but not yet. Japan in particular is urged to put deficit reduction on the back burner and there are worries that the timetable for European monetary union will push EU countries into overrapid fiscal correction. Nevertheless the main message is still that orderly deficit reduc-tion will lower the uncertainty premiums still built into long-term interest rates.

lar and the yen.

The above paragraphs are based largely on the December Economic Outlook published by the Organisation for Economic Co-operation and Development (OECD). The OECD is one of the few bodies which try to take a top-down look at the world economy as an inter-connected system rather than just adding up individual country forecasts.

Nevertheless, its forecasts will be regarded by many nonofficial analysts as too complacent, partly on account of the OECO's own record. For well over a year the organisation has been over-optimistic in its

growth predictions. In late tion looks like being 2.3 per 1994 it expected real GDP for cent, close to the original forecent, close to the original fore-cast. Most striking of all, what was expected to be a very modest 0.6 per cent rate of Japanese inflation has turned into an actual fall in price levels - or deflation - of 0.9 per cent. For 1996 as well, the OECD has revised downwards its earlier projections. The upshot is that both real growth and inflation have

been below expectations. This means that the growth of total demand in money terms, measured by nominal GDP, has been low. In the Group of Seven industrial countries nominal GDP in the second which inspires confidence and half of 1995 is now estimated to have risen at an annual rate of 3.6 per cent - well below the widely accepted norm of 5 per cent for this indicator. There has been only one period in recent decades when demand growth has been as small, in 1993 when the world economy was only just beginning to recover

from the last recession.

Measured by GDP deflator

-0.9 (0.6) -0.4 (0.6) 0.3

2.3 (2.0) 2.0 (2.2) 2.1

1.6 (2.5) 1.7 (3.2)

2.9 (2.5) 2.7 (2.6)

~1.8 (2.3) ~1.8 (2.6)

* Excluding Turkey * Excluding Turkey and I

Inflation

kinds of criticism of the international economic policy establishment. There are those who simply disbelieve the forecasts of an adequate growth recovery - either because they have heard it all before or they believe that animal spirits among businesspeople and consumers are too low. Then there are those who believe that the output gap is much larger than it needs to be to stop inflation accelerating - so that unemployment is needlessly high and potential production is lost. The strictures are most severe when critics believe both these propositions at the same

There are basically two

Examples include Mr Peter Jay, BBC economics editor, who has a chart of the output gap which ought to have developed in the UK if the economy had been in equilib-rium at the end of 1990, as the Treasury says it was. They include too Professor Patrick Minford, one of the original monetarists and Thatcher supporters, who has received a well-merited award in the new year honours list.

Yet there are also critics who have the opposite worry: that, as in the the late 1970s and 1980s, governments are yet again injecting too much liquidity - money available for spending. They see the same excuses being made about the extra bank deposits being primarily a savings vehicle, or associated with corporate takeover activity.

There is of course nothing to prevent both these criticisms from becoming true in sequence. There may now be an excessive gap between actual and potential output; but at a later stage cash bal-ances could be spent, leading to the opposite danger of inflation taking off again.

Yet one general observation can be made. The world is a less inflationary place than one would expect allowing for all the usual variables. UK pay inflation is much lower than many forecasting equations

current data. The 1994-95 rise in commodity prices soon went into reverse. Although US unemployment is well below what the Fed regards as the equilibrium level, inflation refuses to take off - as the Fed acknowledges by loosening monetary policy instead of continuing to tighten it as many expected little more than a year ago,

The view that excessive liquidity is being pumped into economies derives mainly from the English-speaking world and Japan. But not even the most dedicated old fashioned monetarist need have any worries about Germany, where the Bundesbank has not been able to prevent a serious shortfall from target Because of its anchor role Germany is representative of the core EU currencies.

Yet Germany's problems do not arise mainly from domes tic monetary policy. Their root is in a real over-valuation of the D-Mark at current cost levels. Hence the spate of new year messages from German industrialists threatening to shift production abroad and pleading for an alleviation of tax burdens. Doubts about the credibility of the future European Central Bank are also putting an inflation premium into longer-term German bonds and affecting recovery prospects. In France the combination of a tie-up with an over-valued D-Mark and a risk premium of 1 to 2 percentage points embedded in short-term interest rates is acting as a drag on French growth.

The most desirable develop ment in 1996 would not be a rupture of the French-German link, but a devaluation of the D-Mark together with the cur-rencies linked with it against a still undervalued dollar. I that happened the US Fed would be able to ease policy further to make up for the loss of external stimulus without inflationary danger. Meanwhile the risks to the European outlook remain on the BOOK REVIEW Guy de Jonquières

THE END OF THE NATION STATE By Kenichi Ohmae HarperCollins, 214 pages, £16.99

Of pork merchants and rice inspectors

As a successful management turned aspiring politician, Ken-ichi Ohmae knows a thing or two about marketing his own wares. That much is evident from the care

with which this book has been packaged for its target of busy international managers.

Although slim enough to be

read on a transatlantic flight, this book resists any idea that it might also be lightweight. In addition to a jacket trumpeting the author's "profoundly important" views and "authentic visionary" powers, 14 pages of footnotes are devoted to writings by or about him.

Stripped of hype, Ohmae's most obvious attributes are his status as Japan's only internationally known business guru and his talent for popularising big "strategic" issues. His tim-ing is well judged. Publication of this book coincides with an ill-focused debate in the west partly inspired by the performance of east Asia's "miracle economies" - about the proper role of the state and government in an interdependent

Ohmae's thesis will be familiar to readers of his previous works. It is that traditional barriers between national economies are being eroded by flows of internationally mobile information, capital, technology and industrial capacity.

That much is now conventional wisdom. But while Ohmae's main concern in the past has been with the implications of these changes for corporate management, this book focuses on how they are redefining the functions of sovereign governments. Or, rather, destroying them.

Global forces, he contends, are not merely imposing stricter disciplines on sovereign power. They have made it a burdensome anachronism. "Traditional national interest . . . has become little more

than a cloak for subsidy and protection," Ohmae says, con-temptuously dismissing central governments as mere "mer-

Much of his evidence is culled from Japan, and featured in his failed campaign last year for election as governor of Tokyo. Government, he says, has become powerless to deal with economic problems because it is paralysed by self-serving collusion between producer lobbies, pork-barrel politicians and a bloated bureaucracy dedicated to per-

petuating itself. These charges are entertain-ingly documented. For instance, deference to Japan's farm vote keeps 11,000 officials employed in grading different kinds of rice. Japan's repeated reflationary packages, mean-while, are condemned largely as a pretext for showering unneeded infrastructure projects on electorally important

parliamentary constituencies. However. Ohmae's approach is too narrow to substantiate his broader argument. He is right to detect growing pressures in much of the world to cut central government down to size. Yet his book ignores the experience of countries above all the US - where the challenge is being confronted more decisively than in Japan. Newt Gingrich does not even

rate a mention. More crucially, Ohmae's defi-nition of the nation state is two-dimensional. In his view. its survival depends almost entirely on its success in meeting the sort of criteria of economic efficiency used to compile league tables of national "competitiveness".

This seems a slender basis on which to predict the nation state's demise. Nor is it strengthened by Ohmae's assertion that the functions of nation states are being usurped by "region states" economically dynamic zones, often straddling frontiers, in

which activity is strongly ori-

ented towards world markets. The importance of local "clustering" of industries as a stimulus to business performance is indisputable. The City of London is one of the oldest examples. Silicon Valley and Hollywood are more recent ones. The extension of Hong Kong's manufacturing base into neighbouring Shenzhen also seems to fit the pattern.

In no case have these successes obviously threatened the integrity of the nation state. On the contrary, Hollywood and Silicon Valley have done much to reinforce US national identity. What is clear is that they have flourished partly because they have not subjected heen heavy-handed government

intervention or regulation. This, indeed, seems to be the real point of Ohmae's book. To encourage wealth creation, all governments have to do is loosen the shackles and allow free enterprise to fly. As he puts it: "No policy can substi-tute for the efforts of individual managers in individual institutions to link their activi-

ties to the global economy." Ohmae's case is weakened by some of the instances which he chooses to illustrate it. By his account, Malaysia's economic prosperity is due largely to its government's skill in picking industrial "winners".

Singapore, it is true, is commendably open to trade and investment, and provides an efficient operating environment for the multinational companies which have generated much of its prosperity. In other ways, however, it is hardly an advertisement for

hands-off government. Nonetheless, it is hard to disagree with the core of Ohmae's argument - that policies which distort markets and artificially protect industry are the enemy of wealth creation. That is certainly a profoundly important point. However, it is hardly new, nor does it require vision-

THE MILITARY CAN'T TELL US WHERE THEY LEFT THEIR LANDMINES. **BUT THESE PEOPLE CAN.**



LANDMINES MUST BE STOPPED

·LETTERS TO THE EDITOR· Number One Southwark Bridge, London SE1 9HL

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Understanding Italy's political stability

From Dom Serafini. Sir, If I read your editorial "Italy and the EU presidency" (January 2) correctly, you worry too much. Italy was able to achieve what France is trying to do without the social upheaval. The future also promises stability "Italian style" with more richness. Yes, because Italians are rich. To me, they seem richer than the British (to which my British relatives confirm) and have better living standards.

The Italian political situation seems to be more stable than that of the UK (where the

of three). Spain (new elections), France (domestic and international unheaval) and Germany (new elections). To understand Italy, you need only do what Italians do: ignore what politicians say.

Here's what is really

happening. No one wants new elections for several reasons. First, because under existing rules nothing would change for the larger political parties. Second, small parties are afraid to lose parliamentary

seats and larger parties don't have their leadership in place

legai problems before he can reaffirm his centre-right leadership, and it is premature for rightist Gianfranco Fini to centre-left leadership of

yet. Indeed, Silvio Berlusconi

needs time to get rid of his

confirm this, monitor their

seek the premiership. The Romano Prodi is not taken seriously but, before its real leader Massimo D'Alema can take charge, he needs time to get rid of Walter Veltroni who is supported by industrialist Carlo De Benedetti and Carlo Caracciolo, brother-in-law of Fiat's Gianni Agnelli (to

publishing group La Repubblica/L'Espres

And finally, both D'Alema and Berlusconi need time to allow their centre to strengthen and thus get rid of the more extremist elements in their coalitions. As your correspondent, Robert Graham, and Italy's president have indicated, Italy will go to the elections in 1997. Until then . . .

Dom Serafini, editor. Video Age International, 216 East 75 Street, New York, 10021. US

The price to limit liability for auditors

From Mr Nigel Wilkins. Sir, Mr Brian Currie, deputy president of the Institute of Chartered Accountants, hopes that the Law Commission will be able to find a formula to limit the scale of the damages being awarded against auditors for professional negligence (Letters, December 20).

However, the proposed reform of joint and several liability would merely reduce the amount of compensation available for the victims of negligence, whose interests ought to be paramount.

If concessions are granted to the auditors, two principal measures should be adopted in return. First, the accountancy profession will have to make significant strides in raising standards from their present low level. This would include the establishment of a fully independent disciplinary

Second, if other parties are required to pay their fair share of the damages arising through professional negligence, then they must have the means with which to satisfy the claims of their victims.

in the case of rogue company directors, this can only be achieved through the provision of compulsory indemnity

Nigel Wilkins, 9 Petersham House, Harrington Road. London SW7 3HD. UK

Democracy in non-Protestant societies

From Mr Roger Williams. Sir, I must take exception to Ms Philippa Rann's statement (Letters, January 2) that "no non-Protestant society has sustained democracy for longer than 70 years". Costa Rica immediately springs to mind, along with more than 100 years of uninterrupted democracy in Chile until the Pinochet coup. Also, if democracy implies universal suffrage for men at

least, the UK itself has only barely passed this test. The argument also seems a little unfair if one considers that many societies such as India have had less than 70 years of independence to develop such institutions.

Democratic institutions and societies are generally far more stable than autocracies. Even disregarding the effects of European imperialism, few

countries, if any, have continued under the same government and constitution for as long as Switzerland and the Netherlands, not even China with its violently changing dynasties.

Roger Williams, Toshimaen Pearl Heights 4a. Nerima 4-15-11, Nerima-ku.

Taxpayer debt relief burden | Suitable lesson

From Mr Albert H. Hamilton. Sir, It is gratifying that some of my recommendations for the Paris Club that you published in 1989 (Letters, January 11) have been adopted. Still, many poor countries continue to bear such onerous debt servicing burdens that even the World Bank is now considering a debt

relief programme. The Paris Club creditor governments have accepted more generous debt restructuring terms, but they seem convinced by their own rhetoric. The G7, by actions agreed to at their Toronto, Trinidad and Naples meetings, have concluded that the only form of debt relief is debt forgiveness.

This they term "enhanced" debt relief. "Enhanced" debt relief via the Paris Club, where debt owed to, guaranteed or insured by export credit agencies (inter alia) is restructured, is that which shifts the debt burden from borrowers to taxpayers in the

There are but two beneficiaries of "enhancement": the buyers, who need not pay for imports: and exporters, who get paid by their national export credit agency, ie, fellow taxpayers. Thus, creditor governments subsidise exports, even though this is considered bad form by the Organisation for Economic Co-Operation and

lenders' countries.

Development, the World Trade Organisation and the creditor governments themselves. The use of export credit guarantees to support sales in non-creditworthy markets is driven by legislators' refusal to

fund poor country development, preferring the use of off-budget guarantees. Payment of exporter claims, however, is on budget,

Albert H. Hamilton, vice-president, First Washington Associates, 1501 Lee Highway. Suite 302, Arlington, Virginia 22209, US

From Mrs Margaret Spong. Sir, As I wrestled with packaging over Christmas, I was reminded of the Radio 4 feature on the Japanese Ageing Suit. The suit simulates the problems of old age restricted movement, lack of grip, poor eyesight etc - for the benefit of designers. A New Year resolution for those selling to the domestic market should be buy a copy and learn from it. I would appreciate not having to struggle to extract moulded electric plugs, read tiny multi-coloured instructions or solicit tall males in Sainsbury's to retrieve the last of the bargain mushroom packs for me.

I seem to recall the suit cost around £2,000 and there would be time costs associated with its use. Alternatively. designers could use a little imagination regarding the ultimate use of their products.

Margaret Spong, Wincott, Tatlers Lane SG2 7HL, UK Thursday January 4 1996

Rescues are not enough

To most outside observers it has pressure to act prudently long seemed obvious that curing The government's implicit guar-Japan's banking crisis would eventually require substantial public funds. So when, just before Christmas, the government agreed to vote money towards the disposal of the country's seven bankrupt housing loan companies, many rejoiced. But, only a few days into the new year, those cheers already sound a little hollow. The proposal is not just politically unpopular. Without radical complementary reforms, it could

be economically unwise, too.

The flasco of the housing lenders is a perfect example of all that went wrong in Japan during the bubble economy. These institutions were established by the banks in the 1970s, largely to evade regulations that prevented them from cashing in on the burgeoning market for home loans.

When the rules were changed, these supposed "mortgage lenders", with the encouragement of their parent banks, gorged themselves on speculative lending to property companies, golf course developers and even organised crime. After the collapse of property values, they tried to trade their way out of trouble by making still riskier loans and offering high interest rates, which enticed farming co-operatives into providing generous support.

In view of all this, it is hardly surprising that the plan to donate at least Y685bn (£4.26bn) of taxpayers' money, to assist the disposal, has met with popular resistance. Few governments have ever won votes by agreeing to bail out banks and, in this case, the deal is doubly unpopular. The real beneficiaries are the agricultural co-op-eratives, which refused to accept their share of the losses as creditors of failed institutions and will, instead, have a substantial proportion repaid by the government.

Yet governments must occasionally take unpopular decisions: the real question is whether this is at least the right one.

Moral hazard

With any bailout the need to avoid systemic failure must be balanced by the need to reduce moral hazard. If an institution knows it will be saved, come what sticking plaster on a financial sysmay, it is under no market tem in need of a radical cure.

antee has been the principal factor undermining the quality of Japan's financial system in the last decade. In future, however, says the government, banks can no longer be expected to be supported. When proposing this rescue, therefore, it claimed it had avoided the risk of moral hazard.

A powerful force

But has it? There are three (not mutually exclusive) ways to do so. The first is by means of what supervisors call "constructive ambiguity" - no institution or group of institutions should be certain that they would be bailed out in the event of collapse. Provided they believe they may be allowed to fail, they will have an incentive to behave themselves.

But there is little constructive and not much ambiguous about the housing lenders' package. The bailout amounts to a surrender to the nation's farmers, a powerful force in politics, who, it seems will be substantially protected from the folly of their (or their banks') investment decisions.

The second approach would be to achieve wholesale change at the institutions that benefit from assistance. The government has promised a full inquiry into the housing loans mess and has said that those responsible will be "pursued vigorously". Judgment on that will have to await events. The third and most important

way of avoiding moral hazard is to ensure greater transparency. It is unfair to expect depositors and investors to bear risks in an opaque financial system. If finan-cial institutions offer limited disclosure, how can the public be expected to bear responsibility? But that is still, in essence, the position in Japan at the moment. Now is the perfect opportunity

for the authorities to make the needed changes. They should make any financial assistance conditional on full and transparent disclosure by all financial institutions in future. Otherwise, any official support for stricken finan-cial institutions would not merely be unpopular, but would turn out to be no more than expensive

Dressing down in the City

In retrospect, 1995 marked an important sartorial watershed for the City of London: the introduc-tion of "dress-down days" at a number of - mostly foreign-owned - banks and brokerages. Every Friday, staff at these institutions are urged to abandon their traditional tailored suits in favour of casual clothing. The new policies are the subject of cynical smirks from more conventional rivals and mock-ironic laments for the demise of the old school tie.

The "dress-down day", already an institution on Wall Street, does lend itself to ridicule. It is argued that it increases morale and allows staff to express their more creative, idiosyncratic yearnings. Senior bankers appear to believe that a weekly change of clothes is enough to achieve this transfor-

Naïvely, perhaps, they have apparently not realised that in London the new policy is unlikely to produce the crisply laundered linens and colour co-ordinated cottons they might have expected to see in Milan or the preppy chinos and polished moccasins of New York Instead, an edict to "dress casual" in a London bank risks a cacophony of sartorial horrors. from too-tight jeans to acrylic shell-suits.

Yet there is a serious sub-text to the "dress-down day". Fashion is a parasitic medium; it reflects changes in the world around it, rather than catalysing them. Changes in dress codes, while seemingly frivolous, generally signify more intricate shifts in social and cultural attitudes.

New expectations

Back in the 1960s, the rise of Britain's "mods" with their sharply cut mohair suits, marked the emergence of a generation of working- and lower-middle class youths who, by dressing smartly. were telling society that they expected to be treated as equals

The women of that era sent out the same signal by starting to wear trouser suits. The spectacle of women in trousers caused a sensation. They were turned away from hotels and restaurants. Some companies banned female employees from wearing them to work. Thirty years later, sightings of denim jeans on the trading floor has provoked an identical reaction in the stuffier corners of the City, though for the opposite reason.

The women of the 1960s were berated for wearing trousers because their clothing was interpreted, quite correctly, as a sign that they intended to be treated as equals to men. The mods' sharp suits were also seen as subversive because smart clothes had historically been the preserve of the rich. Conversely, critics of casual dress in the City assume that it will detract from bankers' authority by stripping them of their Savile Row suits and silk ties, the visible symbols of their social and professional status.

Emblems of insecurity

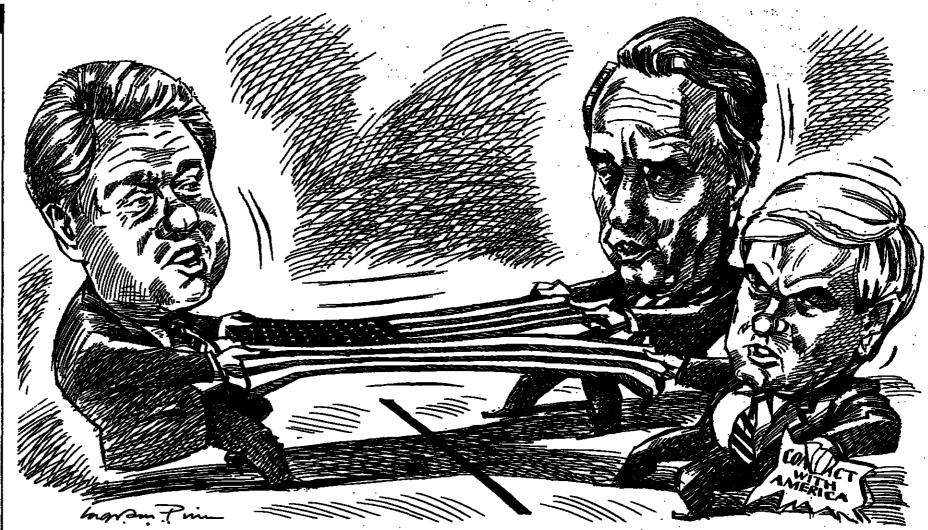
Not so. There is nothing wrong with respecting tradition, but some of the old elements of City dress, the regimental and old school ties, looked like emblems of insecurity. It was as if their wearers were flaunting totems of inherited privilege and status or fear that they would not have prospered without them.

By dressing casually, today's City workers are signalling that they no longer need those totems. The City is now staffed by people who tend to be younger, brighter and from a broader range of backgrounds than their predecessors. There are more women, a wider range of ethnic minorities and

more graduates.

Many of the brightest bankers and brokers have never belonged to a public school or a regiment. Those that have no longer feel the need to wear the tie to remind other people of it. After all, a Savile Row suit is not the most comfortable wear if you spend most of your day, as many modern bankers do, in front of a computer.

But scruffiness is not the answer. Rather than taking their sartorial cue one day a week from Wall Street, the City's dressers down would be better off modelling themselves on their counterparts in continental Europe. Bankers in Paris, Milan or Frankfurt dress more casually but much more smartly than Londoners every day of the week, not just



Tug of war for America's soul

Candidates as well as voters will have to make choices between the various lessons of history in the presidential election, says Jurek Martin

year which, for once, may justify the overused adjective "historic". Its final national election before the millennium may offer the country a fundamental choice between continuing, with refinements, the social policies intro-duced by Franklin D Roosevelt 60 years ago and fleshed out under Lyndon Johnson 30 years later, or pursuing a new holy grail, the bal-

anced budget.
On the other hand - and there is always another hand in politics - it may not A nation given to flirting with extremes but not voting for them in sufficient numbers may also conclude that it is best to divide the management of the country, the presidency resting with one party, Congress with the other.

This has been the standard modus operandi for the great majority of the postwar years. In the Britain of a bygone era, it would have been called "muddling through", but in the US, with its constitutional checks and balances, it appears a more natural order.

Still, there is enough of the his toric to be worthy of note. If President Bill Clinton, without rival for the nomination of a party chroni-cally addicted to challenging incumbents, wins a second term, he would be the first Democrat to pull off the trick since FDR 60 years ago. He would also be the first elected Democratic president to be returned after his party has lost control of Congress in intervening mid-term elections. (Harry Truman, another historic figure Mr Clinton would like to emulate, retained the White House in 1948 after losing Capitol Hill two years earlier, but he was serving out FDR's unexpired term.) Republicans are also staring at history. If Senator Bob Dole of Kan-

merica faces a political familiar faces, wins he would be the now sees him as the last redoubt of environmental laws. Constitute amendment, to win the nomination the property of environmental laws. Constitute amendment, to win the nomination that the property of environmental laws. Constitute amendment to before stepping sharply back to the least a generation younger. More common knowledge is the fact that the majority leader, 73 next December, would be the oldest first-timer in the Oval Office, exceeding Ronald Reagan's 69 years in 1981.

But it is contemporary history which stirs the blood of 1996. Although the outcome of the budget battle may tip the advantage to one side or the other, it is rare for an election to be in such doubt when the contrasting visions are so sharply juxtaposed. They are basically represented by the the quick-silver Mr Clinton and, Mr Dole not-withstanding, the Republican Contract with America, the handiwork of Congressman Newt Ging-rich, Speaker of the House of Representatives.

The president, acknowledged as a formidable campaigner, enters election year far removed from the advocacy of "change" that worked so well in 1992 and less effectively in his first two years in office. Although he has cut the federal budget deficit nearly in half (from \$160bn), he now has cast himself as a defender of the the FDR inheritance, with suitable modifications.

But he is also a qualified believer in the revolutionary and untested notion that Federal red ink can be eliminated in seven years. As a policy "wonk" he naturally believes that the devil is in the detail. This is precisely the reverse of the Republican philosophy which holds that much government power, including federally guaranteed social safety nets, properly belongs in the states, not Washington.

Right or wrong, it has proved good politics for Mr Clinton. A Democratic party, the liberal wing of which had never fully trusted him sas, favourite for the nomination of a party which generally prefers and found him desperately disap-pointing for two and a half years,

against the rampaging Republican hordes. Approval ratings at a little over 50 per cent, the highest of his term, suggest that independent and floating voters are also taking second and more favourable looks.

But his recovery stands in direct relation to the recent ebbing of the Republican tide, a remarkable development in itself. For much of last year Mr Gingrich and his Contract were the story. Their first 100 days appeared a monumental achievement with legislation rolling through the House and the national debate shifting to the Republican ground of attacking the social safety net to balance the budget and leave room for a sizeable tax cut. Mr Clinton appeared mute, even powerless, and Mr Gingrich behaved as if he were co-president permitting speculation that he might even run for the office and thus diminishing Mr Dole and all the other declared candidates.

oo much can be made of the Speaker's fall from grace, the result of his own pride and lance, because nothing, as Mr Clinton has shown, is irreversible. But the vear-end accounting of the Contract with America showed how few were its concrete achievements. Whether sandhagged in the Senate or blocked by presidential veto, only two of its 10 cardinal points, both relatively uncontroversial, made it into law.

Both houses did pass the line-item budget veto but the congressional leadership belatedly realised that it would give Mr Clinton more power and never sent it to him to sign. Wide-ranging reforms of the legal system only survived as narrower bills covering the securities industry and product liability. Moderate Republicans allied with Democrate

to prevent the most radical repeals

budget, impose term limits on members of Congress and ben the burning of the American flag all failed. Reforms of welfare, Medicare and Medicaid, as well as "middle class" tax cuts, have been subsumed in the wider budget negotiations. This provides consolation to believers in the Contract because no agreement honestly trying to balance the books can ignore federal entitlement programmes - although reducing taxation may be another the proposed Republican reforms have also allowed Mr Clinton to

matter. But the nature and scope of draw his lines in the sand, to good effect. The resulting budget impasse has produced two partial shutdowns of the government for which the Republicans in Congress rather than the president are mostly The Contract also further exposed the deep fault-lines in the Republi-can party apparent in 1992 - now as

much of a problem for Mr Dole as it

was then for Mr George Bush when he was president. No matter how wingers they still refuse to pull for a man they consider to the embodiment of the worst of Washington the professional politician. But their far more ideological alternatives would surely lose as heavily to Mr Clinton as Mr Barry Goldwater did to LBJ in 1964 and Mr George McGovern to Richard Nixon in 1972. Presidential candidates on the Republican right continue to throw up interesting arguments, such as Steve Forbes's flat tax; Lamar Alexander's demand that the states be ceded even greater powers and Senator Phil Gramm's take-no-prisoners balanced-budget economics. None of these ideas is Mr Dole's

natural ground but his obvious cal-

culation is that he must adopt

some, such as the balanced budget

they want him to be treated in the

and kidney problems cannot be

specialises in open-heart surgery.

plane to fly the Greek premier to

Washington - where Papandreou

did national service as a medical

orderly during the second world

war. But can Greece's taxpayers

afford to foot the bill? No problem,

is also commander in chief of the Greek armed forces, his medical

expenses can be paid out of US

military credits to Greece. With

over \$100m pouring yearly into the

defence ministry's kitty, there is

plenty of cash available to cover a

prolonged stay in an American hospital.

■ Talk about moving the goal

dvisers say. As the prime minister

President Bill Clinton has offered

sorted out at a hospital that

to send a US military hospital

Bethesda Naval Hospital in

US, since they reckon that his lung

before stepping sharply back to the centre once it is locked up. But that may look as opportunis-tic as Mr Clinton's worst shifts with the prevailing wind and will hardly appeal to the centre - including far from extinct moderate Republicans, crying out for a principled indepen-dent or third party alternative. That will not be General Colin Powell, although, as a Republican, he could help Mr Dole in the campaign. It probably will not be Mr Ross Perot or the nominee of his Reform party. assuming someone of substance can

come to terms with the cranky but still influential 1992 candidate. None of the large crop of distinguished senators retiring in semidisgust with politics (such as Sam Nunn and Bill Bradley) want to get involved again so soon. In fact, the voluntary departures from Congress are themselves now reaching historic proportions, making predictions of control unusually difficult. These range from filibuster- and veto-proof majorities for the Republicans to Democrats back in control of at least one chamber.

73 militant Republicans elected in 1994, conservative children of the Contract, can persuade their electorates that they have made a difference for the better. That itself is the issue which could decide who next sits in the White House. As of now, Mr Clinton has a clear but not decisive advantage. But it is only too easy to see rocks ahead for the president - Bosnia, Russia. Whitewater and a possible economic downtown merely heading a long list. With election day still 10 months off, it is no good peaking too soon, as FDR in 1936 and Mr Reagan in 1984 showed. In the Januaries of their "historic" second-term

· OBSERVER ·

Printing pressures

■ Oh dear, the Bundesbank is having a spot of difficulty with its money supply again. It's not that the German central bank's M3 has suddenly veered out of control. No, it is rather that Giesecke & Devrient (G&D), the secretive company that prints half of Germany's banknotes, is back under the spotlight.

Towards the end of last year. Slegfried Otto, G&D's 80-year-old owner who has now stepped down from the chief executive's seat, admitted he had paid an estimated DM100m plus in back taxes after failing to declare income from a mysterious Swiss-owned subsidiary. At the time, the Bundesbank was careful to point out that the personal business interests of Otto and those of G&D were legally separate, and that G&D was beyond reproach.

Now Der Spiegel, the German news magazine, has documents allegedly suggesting G&D was overcharging Buba for a chemical used in banknote printing during the 1980s. The central bank quickly pointed out that "for the time being we have no reasons to pronounce such a suspicion". adding that the price for this particular chemical appeared to have been in line with various competing offers, indeed, the Bavarian State Office of Price

Checks (that's the nearest English translation for this curious institution) apparently okayed the prices at the time. Still, Buba is investigating and its results will be awaited eagerly. The idea that Europe's monetary Cerberus might ■ This is the year that Deutsche possibly have been the victim of

Defining moment

price inflation should amuse some

central banker somewhere.

■ It may take the citizens of Europe a bit longer to accept the name of their new currency, but the Euro - the product of EU leaders' collective inspiration at the Madrid summit - is already in the dictionary.

Spain's Royal Academy of Exact, Physical and Natural Sciences has managed to get it into the latest edition of its dictionary of scientific and technical terms, due out next month. Not that Angel Martin Municio, the academy's president, is much of an enthusiasi for the Euro, pronounced en-oc-ro in Spanish. "A rather ugly neologism," is his judgment

By contrast, the authoritative dictionary of the Spanish language, published by the august Roy Spanish Academy, will not feature the new currency until its next edition in about two years' time. But it does already have an entry for the word "euro", defined as a wind "blowing from the east". Now that's a definition the English lexicographers might usefully

include the new currency unit...

Alarm bells

Telekom must improve its dismal image in the hope that clients will buy its shares when it is partially privatised later in 1996. Barely recovered from the uproar about the backers and the overseas sex chat calls billed to assorted other Deutsche Telekom clients, the company has now suffered further embarrassment, this time at the hands of its absent minded computers. No doubt tied up with administering the hideously complicated tariff changes - which make local calls up to 156 per cent dearer - the machines forgot that new year's day was a holiday and billed thousands for peak-time weekday calls. Not that Observer ever subscribed to the myth of German efficiency in the first pizce,

Hearty response The medical bills are piling up at the Coasseion Cardiac Hospital in Athens where Andreas Papandreou, the Greek prime minister has been in intensive

care for the past six weeks. But Papandreou's former wife Margaret, an American citizen, and their four children, are not satisfied. They have now decided

consider when they come to

posts. World soccer governing body Pifs has decided that the standard goal, which has officially measured eight yards across by eight feet high for the last 130 years, is too small. Officials propose to widen it by the equivalent of two balls'. width and make it one ball higher,

Moving target

The practical difficulties of simultaneously updating several million football pitches around the world could only be outweighed by the problems of retraining players to miss a bigger target.

Financial Times

()

landslides, both were considered vulnerable. Bill Clinton should be

100 years ago The Canadian danger

Although war-clouds are looming all round, the little one in the direction of Canada must not be overlooked. It is in all probability not very heavily charged, and may pass away without any inconvenience. Precaution is therefore necessary, and we are glad to hear that steps are being taken to strengthen the Canadian Militia and the defences. It is satisfactory to learn that the precautions in favour of the Canadian frontier may convince even the belligerent Yankees that there is a nut to crack in that direction.

50 years ago

US prospect in 1946 Recently we suggested that the one certain prospect ahead of American industry was an increase in Labour strife. The relationship between employers and organised Labour has, in fact, deteriorated steadily since VJ-Day. Current claims and counter clauss between the automobile workers' union and General Motors, and between steel workers and employers. have been marked by a hitterness and virulence of abuse unparalleled since war began. The latest threat involves steel industry operations.



FINANCIAL TIMES

Thursday January 4 1996



Chirac urges ministers to push on with reforms

By David Buchan in Paris

President Jacques Chirac yesterday exhorted his ministers to push on with reform, but the French government's first legislative move of the year - approval of a draft law on apprenticeships - was criticised by employers as well as unions as insufficient to

create youth jobs. In the wake of last month's public sector strikes - the worst for a decade - Mr Chirac told the cabinet that its programmes for cutting public deficits and unem-ployment were "the right ones". but that "we must now go further" in improving dialogue with

the people.

Mr Alain Juppé, prime minister, responded to the strikes by dropping some of his welfare reforms, promising to consult unions more on remaining reforms and pledging a new drive to cut unemployment, especially among the young. The jobless rate for those under 25 is around 22 per cent, or twice the national

The draft law approved by the cabinet will replace a number of apprenticeship schemes and incentives with a single FFr13.000 (\$2,600) a year public subsidy to

have been under a news black-

out, but it is understood that the

principals have only begun to dis-

cuss the trade-offs both sides

would have to make to produce

an agreement. These would have

to include the size and composi-

tion of the proposed \$245bn

Republican tax cut as well as the

extent to which the growth in

federal spending on programmes such as Medicare and Medicaid

Meanwhile. US embassies are

operating on short commons. The

one in Vietnam may have to do

without power because it has no

funds to pay a \$1,600 electricity bill, while the Havana operation

is threatened with having its

Northrop said it expected earn-

ings per share of more than \$5 in 1996 and predicted profits would

grow by more than 10 per cent annually for "several" years,

The combined businesses

Westinghouse said operations

remaining after completion of the

defence and furniture sales

would leave the group with

annual turpover of \$10bn, of

which 45 per cent would come

from broadcasting, in early after-

noon trading on Wall Street yes-

terday. Northrop's share price

was down \$2% at \$62% and

Westmichouse up \$1s at \$18.

should achieve sales of \$10bn by

would be reduced.

water cut off.

Northrop

Continued from Page 1

starting in 1997

US budget

Continued from Page 1

Employers and unions criticise draft law on apprenticeships

apprentice. For the past few years, French governments of left and right have been trying to ape Germany's success with apprenticeships, but the number of young entering these on-thejob training schemes has risen only slowly, from 160,000 in 1994 to 170,000 last year, and one in four is said to leave without completing the apprenticeship.

Mr Bruno Lacroix, head of the

Patronat employers federation's training committee, noted yesterday that all forms of apprenticeship incentives, including tax credits, already totalled FFr16,000 a year for each apprentice, and complained the new subsidy would have to be nearly double its proposed level to make a serious dent in youth unemploy-

He said he was surprised at the government's lack of ambition when Mr Chirac had talked in his new year message of mobilising the country to find jobs for its youth. This criticism was made more harshly yesterday by Mr François Hollande, spokesman

companies hiring and training an for the opposition Socialists, who

accused the president of redeeming his promises in words alone. But there was little or no sign vesterday of the three main union federations involved in the strikes relaunching their protests against the remaining features of the Juppe welfare reforms, mainly in the health sector.

However, their spokesmen all warned yesterday that some incident, perhaps a government gaffe or even just the first impact of a new 0.5 per cent welfare tax on this month's pay packets, could provide the spark for further

The communist-leaning CGT has called on its members in Electricité de France and Gaz de France to demonstrate today in support of wage and job claims at the state-owned utilities. But the independent Force Ouvrière and the pro-Socalist CFDT have not joined the strike call at EdF and

The government yesterday set a ceiling of 3.4 per cent on the increase of the total wage bill of state-owned companies this year.

UK to go ahead with rail company flotation in May

By Geoff Dyer and George

The privatisation of Railtrack. the company which has taken over British Rail's track, stations and signalling, will go ahead in May despite growing political opposition, the British govern-

ment announced yesterday. The flotation, which analysts expect to value the company at between £1.5bn (\$2.3bn) and 22.5bn (\$3.8bn), will follow the pattern of previous privatisations by offering large incentives to

private investors. The government intends to set aside at least 30 per cent of the shares in Railtrack for UK retail investors, although the size of the public offer can be increased

if demand is strong.
This is less than the proportion of shares allocated to the public in National Power and Power-Gen, the generators whose privatisation was completed last year, but more than in the sale of the

water companies. Institutions will be able to bid for shares through an international offer using the bookbuild-ing method, SBC Warburg will be global co-ordinator for the flota-

The opposition Labour party hopes to exploit Tory concerns over rail privatisation by staging a House of Commons debate on

the subject in the next few

of a number of rebels.

However, the fears of some Conservative MPs were assuaged when they saw the shape of the first rail franchises - awarded last month - in which private operators promised better services and higher investment.

Labour has refused to give details of how it would keep its promise of retaining a "publicly owned, publicly accountable rail network", for fear of making any binding public spending commitments. Mr Brian Wilson, shadow transport minister, sought instead to deter investors by creating a climate of uncertainty. 'Investing in rail privatisation in the dying days of a Tory government would be an irresponsible

course of action," he said.

Analysts said the lack of information about the company's financial structure made it impossible to value accurately. "We will need to see how much debt the government has decided to leave in there first," said Mr Ian Wild, analyst at Barclays de

Zoete Wedd. Mr Richard Aitken-Davies. Railtrack's director responsible for privatisation, said "substantive negotiations" with the government over a reduction in the company's £1.7bn debts had not begun yet. It is understood that Railtrack is pushing for a £1bn write-down of its debts.

Cathay cancels relocation move to Australia

By Louise Lucas in Hong Kong

Cathay Pacific, Hong Kong's de facto flag carrier whose position is under challenge from China, has reversed a decision to relo-cate its training facilities to Australia and said it will continue to train its pilots in the colony.

When it made the original decision in September, the airline said costs were the reason for shifting the operations. However, the about-turn was described by Cathay Pacific yesterday as also purely commercial, following a last-minute offer of cheap land.

Executives say they have now calculated productivity would be eroded by the two-way eight-hour flight most pilots would have to make to receive training.

Cathay Pacific has come under pressure from various quarters since the original decision to relocate was announced four months ago.

Its longstanding dispute with Australia over Qantas' alleged abuse of its so-called "fifth freedom" rights (picking up excess passengers in Hong Kong for onward passage to other Asian cities) was only recently resolved in a way analysts say favoured

Cathay, majority-owned by the UK-controlled Swire Pacific, has also found itself forced to defend its position after June next year, when Hong Kong reverts to Chinese sovereignity. China National Aviation Corpo-

ration (CNAC), the airline subsidiary of the Civil Aviation Authority of China (CAAC), appears intent on setting up in Hong Kong, threatening Cathay's supremacy and, Cathay execu-tives say, the foundations of Sino-British agreements on the post-1997 constitution.

In an attempt to deflect CNAC, Swire Pacific sought to offer it a stake in Dragon Airlines, a com-pany owned 30 per cent by Cathay and 13 per cent by Swire Pacific which mostly handles flights to China. These talks, which would have seen a 10 per cent slice sold to CNAC for HK\$700m (\$90m), appear to have come unstuck.

Cathay's cancelled move to Australia, involving an estimated investment of A\$110m (US\$81m), would not have been the first sign of the flight carrier looking overseas: it has already moved data processing operations to Australia, again to cash in on cheaper land and wage costs.

A Cathay official also mentioned the carrier's planned 500room staff hotel at Chek Lap Kok, the colony's new airport, which will enable it to put up visiting staff more cheaply.

The company was no longer concerned about a mass emigration of pilots after the 1997 hand-over, another factor behind the original decision to relocate, as many pilots were now based in their home country.

THE LEX COLUMN

Military mergers

Northrop Grumman's \$3bn acquisition of Westinghouse's electronic systems division marks a new phase in the US defence industry's consolidation. Last year's merger of Lockheed and Martin Marietta and Northrop's own purchase of Grumman and Vought Aircraft in 1994 brought together direct rivals. The rationale for these deals was to take out capacity in the face of shrinking military budgets. The latest trans-action is a case of vertical integration, with Northrop - whose main activity is building aircraft like the B2 stealth bomber - taking over an electronics business which makes radar and command-and-control systems. The logic behind marrying the two skills is to produce so-called "systems integrators" which can act as prime contractors on big defence programmes. This was one of GEC's principal arguments in its unsuccessful attempt to get closer to British Aerospace.

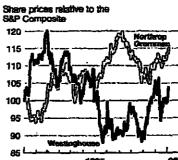
Northrop is certainly prepared to pay up for the privilege. The price is about \$1bm more than the Westinghouse unit was expected to fetch and Northrop will end up with debt of 1.4 times its market capitalisation. Westinghouse, by contrast, will repay most of the money borrowed for its \$5.4bn purchase of the CBS television network. Two-thirds of its ongoing earnings will now come from broadcasting. But given the poor performance of its original power generation business, the group's transformation still fails to excite.

ITC/BAT Industries

The Indian conglomerate ITC is not proving a good advert for investment in India. First, there was the xenophobic spat with its largest shareholder, BAT Industries, over BAT's attempt to influence management succession and strategic direction. Now ITC has been hit with an Rs8bn (\$238m) fine for alleged tax evasion, equivalent to 15 per cent of its market capitalisation. Of course, even if a proposed appeal is unsuccessful, it will delay payment for some years. Moreover, the tax fine is itself tax-deductible, thereby lessening the blow. Nonetheless, it is a significant sum, and does little for the reputation of a group which was trying to transform itself into India's premier

multinational. This is not entirely bad news for BAT. It may have to make a provision for its 32 per cent share of any fine, but the maximum would be around £40m. Moreover, the latest allegations of tax evasion should refocus ITC's

FT-SE Eurotrack 200: 1630.1 (+19.6) Westinghouse and Northrop



attention on its core businesses of tobacco and financial services, rather than its ambitions to invest in anything from hotels to power stations. It is also possible that BAT can provide financial aid in exchange for

more shares. BAT wants to consolidate its global tobacco interests and ITC is an attractive target. It sells the majority of western-style cigarettes in a large and fast-growing market, and its share price is almost 40 per cent below its level at the start of 1995. Given the uproar over its last attempt to dictate events at ITC, however, it will require some slick diplomacy to win political support for increased

National Lottery

Forget Mystic Meg. To win the British lottery, all you have to do is wait for a big jackpot, like this week's £30m-£40m prize, then buy tickets for all the 14m possible number permutations. Hey presto! You are bound to win the jackpot - plus thousands of smaller prizes. To do so, you only have to spend £14m on tickets and pay a small army of minions to fill them in

Like most guaranteed money-spinners, this wheeze is hopelessly flawed. For a start, it assumes Camelot, the lottery operator, will not catch on; if it does, it can stop you buying tickets.

There is a more fundamental snag. Although a win is guaranteed, to make money you must not share your jackpot with more than one other person. Compared to almost any investment, this looks a pretty poor bet. More than 80m tickets are likely to be sold for this week's game – around six anomalies in this area too.

for every possible permutation of numbers. An attempt to corner the market could, in fact, lead to spectacular losses: in January, a £16m jackpot was shared between 133 people. A similar split on Saturday would reduce a £35m jackpot to £263,000. Punters can reduce this risk by avoiding permutations they think will be popular - this may be the method used by the inter-national Lotto Fund, a Melbourne syndicate - but only by lessening their chances of winning.

This does not mean no one will try to beat the system. If the world were not full of suckers, lotteries would not exist. In real life, though, the only guaranteed way to make money out of the lottery is to run it.

Insurance

The first report on UK life assurance companies since new disclosure rules were introduced is an important step in making a complex market more transparent. The Personal Investment Authority's report compares fees charged by different companies. This information is publicly available but highlighting the gap between the highest and lowest chargers is still likely to bring margins under further pressure. Not surprisingly, companies are not keen on the idea, but fostering openness is part of the regulator's

The companies' reservations about the disclosure of information on persistency rates - which show how many people keep up the policies they have taken out - is little better founded. A high rate of early surrender is clearly correlated with poor selling, since decisions based on sound advice are less likely to be reversed. Lapsed policies can of course be the result of changed personal circumstances. But companies selling to less wealthy individuals, who may face greater difficulty in keeping up pay-ments, should already be taking their circumstances into account.

Broadly, increased scrutiny means companies with sound sales techniques and competitive fees will fare better. Low inflation and lower nominal returns have made it harder to charge high fixed fees. But there may be a virtuous circle for well-regarded companies which can generate more business and keep costs down. enabling them to charge lower fees and win more business. The missing link is investment performance. The

August 1995

*C7 --

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THE SUMITOMO BANK, LIMITED November 1995



JPY 2,000,000,000 Private Placement due 2005

Chemical Investment Bank Limited

Chemical Bank Tokyo Branch



FT WEATHER GUIDE Europe today A frontal zone will slowly move across the British Islos. Britiany and the western Iberian peninsula, it will produce rain in Scotland. England, Brittany, Portugal and north-western Spain Ireland will be dry with sunny periods 鍹 1020 except for a few showers in the north. Dry conditions with bright sunny spells will prevail from the Low Countries to as far south as eastern Spain but cloud will linger across northern France, Belgium and Germany, Italy, the Croatian coast, Albania and Greece will be settled and sunny. A low in the eastern Mediterranean will cause unsettled conditions with wind and showers in Turkey and Cyprus. An upper air disturbance will cause snow from Romania to the Battic states. Russia and southern Scandinavia will be settled. Five-day forecast Portugal will be unsettled with a lot of rain. Low pressure will develop in the central Mediterranean on Saturday resulting in occasional rain along the Riviera and on Sardinia and Sicily. The rain will linger in the eastern Mediterranean on Sunday. An Atlantic low pressure system will direct frontal systems with rain towards France.

tar rain fair snow (air lair sun tar cloudy sun rain

TODAY'S TEMPERATURES

Belrasi Belgrade Bernicia Bernicia Bombay

Lufthansa

Caracis Cardiff Casablar Chicago Cologne Dakar Dallas Delin Dubas Dubrovnik Edinburgi 33 32 20 30 0 3 2 8 29

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FINANCIAL TIMES

COMPANIES & MARKETS

ATHE FINANCIAL TIMES LIMITED 1996

Thursday January 4 1996

COLUE COSTAG SELL AND LEASE BACK

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IN BRIEF

BK Vision setback in battle with UBS

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, has suffered a setback in one of its legal actions against Union Bank of Switzerland. A Zurich court has rejected an appeal by BK to have a special investigator appointed to examine various transactions in UBS shares in advance of a controversial shareholders meeting in November 1994. Page 12

France Télécom sues Poland

France Télécom is seeking around \$500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw over mobile telephone networks. The stateowned operator said Poland had failed to honour a pledge made in 1991 to allow it to run a GSM cellular network through PTK/Centertel, in which France Télécom owns a 24.5 per cent stake. Page 12

CBoT plans Argentine venture The Chicago Board of Trade has signed a letter of intent to develop a financial futures and options exchange in Argentina. The venture, which would be undertaken jointly with the Buenos Aires stock exchange and the Buenos Aires chamber of commerce, would be the Chicago futures market's first entry into Latin America. Page 13

Siam Pulp and Paper moves into Indonesia Siam Pulp and Paper PCL, an arm of the big Thai conglomerate Slam Cement, has bought 30 per cent of a \$1bn Indonesian pulp joint venture, its first overseas investment. Thalland's biggest paper products company is seeking to diversify overseas and secure a pulp supply outside its depleted domestic

Rogers plans to list on NYSE Canada's broadcasters and cable TV operators are set to gain a wider exposure to international capital markets in the wake of a proposed relaxation of foreign ownership rules. Rogers Communications, the country's biggest cable operator, announced it plans to list its non-voting Class B shares on the

General Accident, the composite UK insurer, has begun a revamp of its senior management by confirming Mr Bob Scott as chief executive succeeding Mr Nelson Robertson, who retired at the end of last

New York Stock Exchange. Page 13

Bridon shares decline after warning Shares in Bridon fell 12 per cent yesterday after the wire and wire rope manufacturer announced that an unexpected recent downturn in its main markets would leave profits for 1995 short of the previous year's total. Page 14

Weinberg venture takes over Lifetime Life Assurance Holding Corporation, the joint ven-ture between New York Life Worldwide and Sir Mark Weinberg, a leading figure in the UK life industry, is taking over the UK business of Lifetime Assurance, part of the Bank of Ireland. Page 14

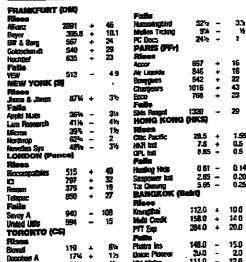
Eurotherm chief makes paper profit Mr Claes Hultman, chief executive of Eurotherm. yesterday made a paper profit of £1.18m (\$1.8m) by exercising share options in the industrial controls manufacturer. Page 14

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Chief price changes yesterday



ITC to fight \$228m tax evasion fine

By Mark Nicholson in New Delhi and Nell Buckley in London

ITC, India's biggest tobacco company, said yesterday it would contest in court a Rs7.99bn (\$228m) fine for alleged tax eva-sion imposed by India's excise commissioner. But its share price fell a Rs8, or 8 per cent, to Rs234 in Bombay, amid con-cern over the size of the demand.

ITC, an associate of BAT, the UK-based tobacco to financial services group, claims to be India's biggest corporate taxpayer. Officials said its lawyers were examining the excise evasion allegations in a 1,263 page order submitted by Mr Somnath Pal, the excise commissioner, on Tuesday.

Hutchison

revamps

telecoms

operations

By Louise Lucas in Hong Kong

Hutchison Whampoa, the Hong

Kong-based conglomerate controlled by Mr Li Ka-shing, yes-terday reorganised its telecom-

munications interests in an

effort to improve productivity

Mr Canning Fok, group man-

aging director, said that a new

company, Hutchison Telecommu-

nications (Hong Kong), would

consolidate marketing and other

operations of the group's mobile telephone, fixed line and paging

services in Hong Kong. The new alignment would help it meet

growing competition in Hong

Kong's rapidly deregulating mar-

The businesses are being split

into three regions: Europe, east

Asia and Hong Kong.

The group has bought back a

25 per cent stake in its domestic

paging business from Motorola

of the US, for an undisclosed

sum. Mr Fok would not elaborate

on whether Motorola also

intended to end its relationship

with Hutchison in the cellular

Flotation of Hutchison Orange,

the group's cellular telephone

operation in the UK. is still

under discussion. Orange has

signed more than 300,000 cus-

tomers and is growing rapidly.

Rankers believe Orange could

have a £2bn (\$3.1bn) flotation

Mr Fok said: "We have no date

for the listing of Orange. We

have received a number of proposals and the board of Hutchi-

son Whampoa is currently exam-

Asked which banks were

involved in plans for the float.

Fok said: "Just about everyone."

before a key decision by the Hong Kong telecoms regulator

of personal communications ser-

vices and cordless access service

Originally scheduled for issue

last summer, the licences have

been delayed by Beijing, whose

approval is required as the term

of the licences will straddle the

June 1997 handover of Hong

Kong from the UK to China.

mobile licences.

The reorganisation comes

phone business.

Hutchison Whampoa

Share price relative to the

Hang Seng Index

and Alan Cane in London

and cost effectiveness.

Yesterday's slump in ITC's share price followed a Rs8 fall on Tuesday from Rs250 on media reports of the excise demand. Mr Pal's demand follows a dispute dat-ing back to 1987 about cigarette pricing.

ITC is alleged during the four preceding years to have printed a lower maximum retail price on packets of some brands than it made retailers charge, while using the printed packet price for its excise assessments - thus allegedly reducing its

"We have been after them for a while." said one excise department official.

However, the company said: "TTC

and insurance group.
But ING, the Dutch integrated

financial services group, has found that its takeover of Bar-

ings, the bank that failed last

year under the weight of massive

losses from uncontrolled trading

in its Singapore office, has done

For the first time since the

group was formed in 1991 from

the merger of insurer Nationale-

Nederland with the NMB Post-

bank bank, group subsidiaries

around the world, including the

insurance business in Singapore,

are queueing up to add the prefix

"We look back at 1995 as an

exciting year. We will use the

year 1996 to show our financial strength," said Mr Aad Jacobs,

ING's chairman, in an interview

at the group's Amsterdam head-

insurance and banking, ING has

been seeking to expand outside

its home market. Although it has

been building operations in

developed countries, its focus has

been on Latin America, Asia and

eastern Europe. It has a reputa-

tion for pushing into countries such as Cuba and North Korea

ahead of the other lemmings,"

said Mr Jacobs. Exotic locations

were worth the investment

because of the publicity they gen-

erated, even if they never made a

An investment hank was not

originally at the top of ING's

shopping list. The banking side

had wanted to acquire a retail

Netherlands to complement its

domestic bank branches and

Postbank, which specialises in

home banking and direct sales.
"We have looked at the possi-

bility of acquiring a retail bank,

but we have found out that they

are very expensive. Most are very

big and they are in saturated

markets. We said to ourselves:

'Can't we use our money in a

One of those better ways is

electronic banking, which the ING board will launch this year

in a country outside Europe.

Another was Barings, which ING

had looked at as a possible acoul-

sition but which became more

Mr Jacobs began his career in

the investment management side of what was then De Neder-

landen van 1845 insurance company, and has a clear idea of the

returns he expects. For start-up

in guilders, together with 10 per

For banks, the targets are the

cent growth rates.

better way?" Mr Jacobs said.

"We have been a little bit

before its rivals.

penny of profit.

With strong positions in Dutch

wonders for its image.

ING to their names.

quarters.

The commissioner imposed separate believes that it had at no time knowingly fines totalling Rs32m on six FTC officials. it would appeal to India's Customs, Excise and Gold (Control) Tribunal, while individuals would pursue concurrent appeals.

The tax demand is seen as a further blow to ITC, which last year was embroiled in a bitter boardroom wrangle between Mr Krishan Lal Chugh, ITC's then chairman, and BAT, which with just under 32 per cent is its biggest share-

BAT declared it had lost faith in Mr Chugh's management and, although the chairman eventually resigned, his replacement by Mr Yogesh Deveshwar, previously deputy chairman, last month was widely perceived as a defeat for BAT. Mr Deveshwar, who officially took over as chairman on Monday , has made no comment on the

BAT played down the impact any fine

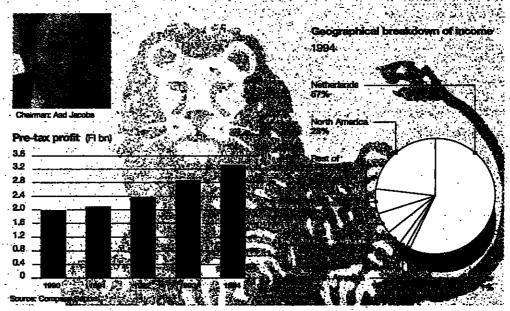
would have on the group. "The point is that even if [ITC] does end up having to pay this, BAT's share would only be 32 per Analysts in Bombay described the tax demand as "serious", but said the appeal

could delay payment by more than three years if ITC were found guilty. ITC last month reported a 22 per cent rise in net profits to Rs1.41bn for the half vear to Sep

Dutch financial group is taking a broad view of bancassurance

A n association with one of the most spectacular collapses in Respectable ING reaps decades might not seem the best thing for a respectable banking rewards of a little daring

ING Group: the lion's share



blames the profits shortfall last year on the weakness of emerging markets. Earnings for the securities division were hit by the collarse of the Mexican matket and by the fact that the strength of Europe and North America distracted investors from smaller markets.

"On the corporate finance side Barings had a fantastic year. more than we had expected. On the emerging markets side they but you can hardly blame Barings for that," Mr Jacobs said. Besides its direct profits contri-

bution. Mr Jacobs believes Barings helped the group to become involved in many more deals.

NG's commitment to "bancassurance" - the combining of banking and insurance operations in one integrated inancial services group – has also led it into new deals. ING takes a much broader view

of bancassurance than just the cross-marketing of products. Mr Jacobs sees the combination as offering a spectrum of financing to corporate clients, with the banking side of ING providing shorter-term borrowing, while the insurance side offers longerterm financial support Mr Jacobs cites the transaction

in which PCM, a Dutch newspaper publisher, bought two national titles from Reed Elsevinsurance companies, the goal is ier, the Anglo-Dutch publisher. to achieve a profit within six to eight years. At the end of that, ING lent PCM part of the purthe new business must have the prospect of achieving at least an chase price of more than F1800m (£320m) but also provided finan-11 per cent return on investment cial support in the form of long-term equity capital. This resulted in ING owning a 35 per cent stake in PCM. "Neither the same, Mr Jacobs says, but it insurance side nor the banking side could have done the deal on

should be clear within two years whether an investment will be its own." This commitment to bancassur-Although Barings did not meet ance has already begun to pay off ING's profit targets in 1995, Mr in the Netherlands. Jacobs is sanguine about its Nationale-Nederlanden is sellmedium-term prospects. He

ing an increasing proportion of

offices of ING Bank. "Bank offices sold more than 10 per cent of new life insurance business in the last year in the Netherlands,"

said Mr Jacobs. On top of this, the Dutch life operation also generates 3 to 4 er cent of its new sales through Posthank. By the end of 1998, the percent-

age of new life business sold through ING Bank is expected to Much later on, somewhere in the next decade, we think at least 20 per cent of our total insurance production can come from the

ING Group is also witnessing increased sales of mutual funds

its life policies through the 360 and other banking products through its insurance intermediaries and tied agents.

Elsewhere, hancassurance has been launched in Greece, Australia and Poland, where life policies are sold through Bank Slaski, in which ING holds a 26 per cent

ING maintains a list of 10 countries in which it wants to launch life assurance operations. In some of these, such as Slovakia presence through ING Bank, creating scope for further expansion of bancassurance.

George Graham and

Founder of **Ikea rules** out family succession

By Hugh Carnegy and an Björk in Stockholm

Mr Ingvar Kamprad, Swedish founder of the Ikea furniture store empire, has disclosed that he does not want any of his three sons to become chief executive of the worldwide chain.

He has also structured Ikea to restrict his and his family's access to the capital of the Ikea businesses - estimated to be worth about SKr50bn (\$7.5bn) in an effort to ensure that the privately held organisation is not broken up or sold off in a succession battle after he

Ikea in southern Sweden 53 years ago, revealed his inten-tions for the next generation to the Swedish business magazine Manadens Affärer, which publishes his rare public comments

today. He said he did not think it "a good idea" for any of his sons -Peter, 31, Jonas, 29, or Mathias, 26 – to become chief executive of the core operations because of the risk that disputes between them could damage the business "They accept my reasoning," he

Mr Kammad retired as chief executive of the core retailing operation in 1986, handing over to the present incumbent, Mr Anders Moberg, who is not a member of the family. But he remains in day-to-day touch with the operations as chairman of the main Ikea organisa-

He wants to be sure that Ikea will survive him intact, preserving both its profitability and its egalitarian culture, based firmly on Swedish social and design values. He rejects any move to take Ikea public, saying a stock exchange listing would hinder "the long-term way we want and need to work".

Instead, he has built a threepart structure for the governance of Ikea comprising the retailing operations, an organi-sation holding the franchise and trademarks, and a third business mainly involved in finance and banking. The first two, which form the core of the group, are ultimately controlled at arm's length by trust-like organisa-

The family will continue to have "influence-rich roles" in the governance of Ikea, but will not have access to the capital, or the right to inherit it, according

to Mr Kamprad. Ronald van de Krol | Safeguarding the future, Page 12

Aston Martin makes U-turn into US

By Haig Simonian in Detroit

Aston Martin Lagonda, the UK maker of exclusive sports cars much loved by secret agent James Bond, expects to boost sales this year by returning to the US market after a three-year

Mr David Price, AML's new executive chairman, said the company hoped to sell about 200 cars in the US in 1996. Unveiling the DB7 coupe at the Detroit motor show, he said sales would start in the middle of the year through an expanding US dealer network, now comprising 21 out-

The company aiready had advance orders for 60 of the cars. he said. Prices for the DB7 start at \$125,000. The return to the US should raise AML's total output

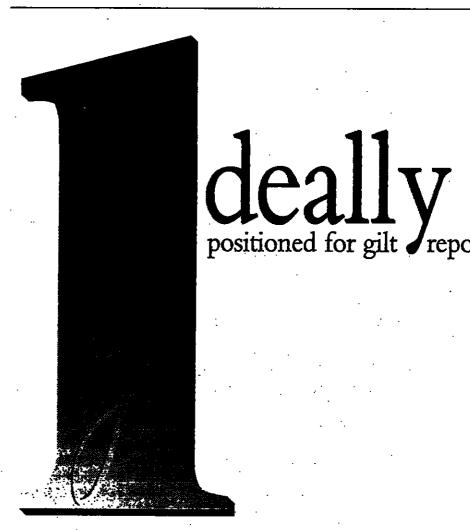


to between 700 and 750 cars this year, against 600 in 1995. AML does not disclose its earnings but he hinted that the boost

to production would mean AMI., which is owned by Ford, would return to profit in 1996. Mr Price, a former senior executive of the Autolatina joint venture between Ford and Volkswagen, said AML. Indian car plant, Page 13

would not have survived without Ford's backing.

Mr Alex Trotman, Ford's chairman, said the group's share of the world car and truck market had climbed to 13.4 per cent from 13.2 per cent in 1994. In the US, Ford's share of car and truck sales rose I per cent last year.



The advent of open gilt repo marks the greatest change to the gilts market since Big Bang. BZW has



INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Banca del Gottardo hit by provisions

Banca del Gottardo, the Swiss bank controlled by Sumitomo Bank of Japan, has reported a 7 per cent slide in parent company net profit in 1995 to SFr53m (\$45.81m) as weaker results from lending offset advances in securities and currency trading. At the operating level, the bank said its securities dealing activities were gradually stepped up and appreciable results were obtained in the forex sector, offsetting the effect of a decline in revenues resulting from "unsatisfactory net

The final result was depressed by the bank's decision to raise its provisions and write-offs by 23 per cent to SF797.7m. This reflected the heightened risk in the property and commercial sector and the decline in property values. Cash flow surged from SFr136.5m to SFr150.7m because of the liquidation of one of the bank's participations. Total assets at the end of 1995 stood at SFr8.5bn, 9 per cent higher than a year earlier. The board has proposed an unchanged SFr25 dividend on the shares and participation certificates. It is also proposing the conversion of the certificates into shares at the annual meeting on April 24.

Danisco buys Campbell Soup unit Danisco, the Danish food, beverages and packaging group, will

become one of Europe's 10 largest producers of frozen vegetables following an agreement to acquire the Dutch frozen vegetables ronowing an agreement to acquire the Data in one vegetable producer Groko from Campbell Soup of the US.

The two companies together will have a turnover of about DKr1.6bn (\$288m), said Danisco, which will pay DKr254m for the Dutch company. Groko, which markets frozen spinach. vegetable mixes and soups, has a staff of about 325. Danisco said the acquisition would strengthen it in north and central European markets and make Danisco Foods a more attractive supplier to the retail trade. Hilary Barnes, Copenhagen

Brazil bid by Philip Morris

Philip Morris of the US has made an offer for Lacta, one of Brazil's biggest foodstuffs companies. Philip Morris made a \$100m bid on Tuesday and offered to take on Lacta's debts of \$70m. There was no immediate indication as to whether the offer would be accepted. Philip Morris already has a 40 per cent stake in Lacta, as well as other food company holdings in Brazil. The offer to take over Lacta appears to follow a trend by Philip Morris to expand its food holdings.

Tobacco sales by Philip Morris are second in Brazil only to Souza Cruz, a subsidiary of BAT of the UK. Lacta was Brazil's 18th largest food company in 1994, with sales of \$411m and profits of \$6.4m. Lacta stock is traded on the São Paulo Stock Exchange, Brazil's largest. AP-DJ, São Paulo

Pechiney Int in Capolo deal

Pechiney International, the packaging arm of privatised French aluminium company Pechiney, is exercising its option to increase its stake in Capolo, an Italian packaging company, to 100 per cent from 40 per cent. It said Capolo had 1995 turnover worth FFr930m (\$189.88m). The company operates six food and industrial can factories and employs 800 people. Pechiney said the 60 per cent of Capolo which Pechiney did not already own was held by Comprehensive Finance, a

company controlled by Capolo managers. Pechiney said the transaction was expected to be closed "very shortly" but did not disclose the deal's value.

France **Télécom** sues Poland

France Télécom is seeking around \$500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw over mobile telephone networks, Renter reports from

for \$500m

The state-owned operator said Poland had failed to honour a pledge made in 1991 to allow it to run a GSM cellular network through PTK/Center-tel, in which France Telecom

owns a 24.5 per cent stake. It said in a statement that 500m represented the amount invested in Centertel's infrastructure as well as the loss of projected future earnings.

Mr Jozef Oleksy, the Polish prime minister, has said he has become involved in seeking to end the dispute which pits Warsaw's telecommunica-tions ministry against France Télécom and its fellow investor Ameritech of the US. Ameritech has already initiated arbitration proceedings.

France Télécom said it had asked the International Court in The Hagne to set up arbitration and a referee would be chosen within days.
It said that its legal suit,

filed on Tuesday, singled out Poland and particularly its telecommunications operator.

 Three consortia, including both Polish and foreign com-panies, have tendered for two licences to set up and operate GSM mobile telephone services in Poland, according to Poland's Ministry of Communications, writes Hilary Barnes

Denmark's TeleDanmark and the US mobile phone operator AirTouch Communications have joined Petrochemie Plock, Poland's largest oil refiner, and KGHM Polska Miedz, a copper mining group, in one consortium.

US West is the main foreign partner in a second consortium headed by Polish trading company Elektrim, while Italy's Stet partners Polish chemical trader Clech and other Polish companies in a third consortium

Setback for BK Vision in battle with UBS

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, has suffered a setback in one of its legal actions against Union Bank of Switzerland.

A Zurich court has rejected an appeal by BK to have a special investigator appointed to examine various transactions in UBS shares in advance of a controversial shareholders meeting in November 1994.

shares on a forward basis in advance of the meeting to influence the outcome of a vote to convert registered shares into bearer shares. Shortly after the meeting, it:

won an injunction blocking implementation of the conversion and filed a legal action to annul the vote.

It also sought appointment of a special investigator, a remedy provided in the 1992 Swiss

BK Vision, UBS's largest companies law to minority shareholder, has charged that UBS directors purchased questions have not been adequately answered by directors. The judge ruled that some of the issues raised by BK Vision as justification for a special investigation were being examined in other legal proceedings.

UBS said the decision supported its view that it had provided complete and accurate information on the transactions and no further investigation was necessary. BK Vision declined to comment pending

study of the decision.
The fundamental issue raised by the transactions whether a vendor of shares under a forward contract should be allowed to vote those shares - is still to be decided by the Zurich commercial

Under Swiss law, companies are not allowed to vote their own shares at a shareholders meeting. In this case, UBS bought a large volume of shares on a forward basis, bridging the meeting date.

That left the vendor free to vote them, even though he no longer held the financial risk. UBS filed its reply to BK Vision's counter-arguments

last month. BK Vision filed criminal charges last March against certain UBS executives for allegedly wilfully damaging the bank through share purchases on unfavourable terms, and opened civil charges against the board of directors last October for alleged breaches of their fiduciary duty.

Ikea takes steps to safeguard its future

The head of the Swedish retailer has laid out a complex structure to spread control

r Ingvar Kamorad, the reclusive Swed-ish retailing entrepreneur, has over more than five decades built his Ikea chain of furniture stores into a worldwide success story. Now, at 69, he is taking steps to

The way he has chosen is as distinctive as Ikea itself. The complex governance structure keeps the group private, yet at the same time restricts the inheritance rights of his family and its ability to make fundamental changes in how it is

His intentions for the next generation, disclosed today in rare comments in the Swedish business magazine Manadens Affarer, reflect his desire that Ikea should not become a victim of a succession battle or be

Mr Kamprad, who founded Ikea 53 years ago in the small town of Almhult, did not specify when he would step down as chairman of the main Ikea organisations. Although he gave up the post of chief executive nine years ago, he remains actively involved. His role is a vital one, as the visionary whose commitment to Swedish design values and Ikea's egalitarian corporate culture continues to shape the organisa-

tion and produce results. Ikea now has 124 stores in 26 countries. Although it does not publish detailed accounts, turnover in its core retailing operations in the 1994-95 financial year rose 5 per cent to



Ikea furniture stores have become a worldwide success story

SKr39bn (\$5.89bn). Profits after tax in 1994-95 are estimated by Manadens Affärer to have

reached about SKr2.5bn. But a feature of Mr Kamprad's plans is that none of his three sons - Peter, 31, Jonas, 29, or Mathias, 26 - should become chief executive of the core operations. He fears that disputes between them could

damage the business. He said he had discussed the issue with the three - who all work in different parts of the Ikea sphere - "and they accept my reasoning". Mr Kamprad has also rejected any move to make Ikea a public company. "A stock exchange listing

means it is more difficult to work in the long-term way we want and need to work. Shareholders demand faster returns on their money. Money also goes in dividends. A stock exchange company is also at

risk from a hostile takeover, he told Manadens Affärer. Instead, Mr Kamprad has divided his empire into three parts. The biggest is Ikeakoncernen, which runs most of the retail outlets and is responsible for the design, production and distribution of the distinctive Swedish-style, low-priced furni-ture range. Ikeakoncernen has dquarters in Denmark, but ultimately owned by a Netherlands-based foundation, Stichting Ingka Foundation. Ikea executives have not quarrelled with estimates that put

its worth at SKr35bn-SKr40bn were it to be publicly quoted. Closely tied to Ikeakoncer nen is Inter Ikea. It owns the Ikea franchise, trademark and copyright and is therefore the well-spring of the retailing operation. It earns a royalty of about 3 per cent of Ikeakoncernen's turnover - and that of the minority of independent Ikea franchise holders. Inter Ikea has capital of SKr7bn-SKr8hn and is controlled by an organisation which has the characteristics of a foundation. A third leg is Ikano-koncer-nen, involved in banking. finance and majority owner of the Habitat stores in the UK, with an estimated bourse-

equivalent value of SKr2bn-SKr3bn. It is owned by Peter, Jones and Mathias Kamprad. Mr Ingvar Kamprad, for some years based in Lausanne for tax reasons, remains the key figure in Ikeakoncernen and inter Ikea, chairing both companies. He accepts his sons will play an important part in steering the organisation in future - even if he does not want any of them to be the

chief executive. "They want

and will have an influence-rich

role in the group," he said. But Mr Kamprad nas deliberately ensured that the legal structure of the bodies which control ut Mr Kamprad has Ikeakoncernen and Inter Ikea the joint core of the Ikea operations – prevent the fam-ily, himself included, from having any access to, or right to

inherit, their capital. Only one family member – at present Ingvar Kamprad himself - has the right to a seat on the board of the Stichting Ingka foundation.

NEW LINE CINEMA CORPORATION 64% Convertible Subordinated Debentures Due 2006

The conversion privilege expires at 5:00 p.m.,

New York City time, on January 19, 1996

Notice is hereby given that, pursuant to the terms of the Fiscal Agency Agreement, dated as of November 14, 1991, between New Line Cinema Corporation, a Delaware corporation ("New Line"), and Chemical Bank, as Fiscal Agent (the "Fiscal Agent"), as amended by amendments thereto, dated as of January 23, 1994 and December 21, 1995, respectively (the 1995 amendment is hereinafter referred to as the "Amendment"), among New Line, Turner Broadcasting System, Inc., a Georgia corporation ("TBS"), and

"Amendment"), among New Line, Turner Broadcasting System, Inc., a Georgia corporation ("TBS"), and the Fiscal Agency Agreement"), New Line and TBS have elected to redeem on February 5, 1996 (the "Redemption Date") all of New Line's outstanding 6 1/1, % Convertible Subordinated Debentures Due 2006 (the "Securities") issued under the Fiscal Agency Agreement. The redemption price for the Securities is 1025 of the principal amount thereof, plus accurated and unpaid

recempant parts for the Securities is Ites of the principal amount thereof, pais accruent and unpain interest to the Redemption Date (the "Redemption Price"). Payment of the Redemption Price for the Securities will be made on or after the Redemption Date upon presentation and surrender to the Riscal Agent, at one of the addresses set forth below, of certificates representing the Securities, and in the case of any Securities that are Bearer Securities, all appurtenant coupons with interest payment dates occurring on or after the Redemption Date. Pursuant to the Amendment, TBS assumed New Line's obligations under the Securities and the Fiscal Agency Agreement and became jointly and severally liable with New Line thereunder.

Unless New Line and TRS default in making the payment of the Redemption Price on the Redemption Date, then on and after the Redemption Date the Securities shall cease to accrue or bear interest and shall cease to be entitled to any benefits under the Fiscal Agency Agreement on and after the Redemption Date, other than the right to receive the Redemption Price therefor, without interest, upon surrender of the certificates representing the Securities.

CONVERSION OF THE SECURITES INTO TBS CLASS B COMMON STOCK
On January 28, 1894, a wholly owned subsidiary of TBS was merged into New Line (the "New Line Merger") and each outstanding share of common stock of New Line was converted into the right to receive 0.96386 of a share of Class B Common Stock, par value 50.0225 per share, of TBS Class B Common Stock"). As a result of the New Line Merger, and pursuant to the terms of the Fiscal Agency Agreement, the Securities became convertible, and are convently convertible, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, into shares of TBS Class B Common Stock at a conversion price of U.S. \$17.51 per share. Holders of Securities that desire to convert such Securities may do so by surrendering the certificates representing the Securities to be converted, together with the conversion notice attached to such Securities duly executed and, in the case of any Securities that are Bearer Securities, all appurtenant compons with interest payment dates occurring on or after the conversion date, to the Fiscal Agent at one of the addresses set forth below. Accused and unpaid interest to the conversion date shall be paid to a holder with respect to any Securities so converted. THE RIGHT TO CONVERT SECURITIES INTO SHARES OF TBS CLASS B COMMON STOCK WILL TERMINATE AT TRE CLOSE OF BUSINESS ON JANUARY 19, 1996. CERTIFICATES RECEIVED THEREAFTER MAY ONLY BE REDEEMED.

On January 2, 1996, the closing price of the TBS Class B Common Stock on the American Stock Exchange was \$25 per share. Accordingly, based upon such price, the market value of the shares of TBS Class B Common Stock which would be received upon conversion of the Securities, together with an amount of cash in fleu of fractional shares, was approximately \$1,454 per \$1,000 principal amount of the Securities, or approximately \$464 more than the Redemption Price, exclusive of accrued interest, for

Securities, or approximately sees more than the necemption Price, exclusive or accrued interest, for such Securities. However, such amount is subject to change depending upon the market value of the TBS Class B Common Stock. Holders of the Securities are uspect to obtain a current market quotation for the TBS Class B Common Stock prior to making any decision to convert, surrender for redemption or sell or otherwise dispose of their Securities. Holders should also note that the conversion of the Securities into shares of TBS Class B Common Stock should not be a taxable event for United States Federal income tax purposes. Holders of the Securities should not be a taxable event for United States.

TBS has entered into an Agreement and Pian of Merger (the "Merger Agreement") dated as of September 22, 1995 among Time Warner Inc. ("Time Warner"), Time Warner Acquisition Corp., TW Acquisition Corp. and TW Inc. ("New Time Warner"), pursuant to which, upon the consummation of the transactions contemplated by the Merger Agreement (the "Transaction"), TBS and Time Warner will each become a subsidiary of New Time Warner and each outstanding share of TBS Class B Common Stock outstanding immediately prior thereto, including any shares received upon conversion of the Securities, will be converted into 0.75 of a share of controls stock of New Time Warner (other than shares held directly or

turivered and the or a same of continuous stock of New Time water (other train squres held directly by Time Warner or New Time Warner or in the TBS treasury and shares with respect to which dissenters' rights are properly exercised). The Transaction is subject to a number of significant conditions, some of which are beyond the control of TBS, and there is no assurance that the Transaction will be completed or, if completed, that the terms thereof will not be changed.

ces of converting, surrendering for redemption, or saling or otherwise disposing

CONVERSION OF THE SECURITIES INTO TES CLASS B COMMON STOCK

received thereafter may only be redermed.

Furthermore, it is understood that up to half the equity of Inter Ikea can be made avail-

TURNER BROADCASTING SYSTEM, INC.

out of any financial problems. Mr Kamprad's plans for Ikea's post-founder future coincide with similar transition periods looming in the dynas-ties which control a large

chunk of Sweden's industry.
The most famous - the Wallenberg empire - is run by Mr Peter Wallenberg, the fourth generation family patriarch who will be 70 this year. His son Jacob and nephew Marcus are set to take over from him at an unspecified date, inheriting clear control over a series of Swedish blue chips such as Astra, Electrolux, Ericsson,

Scania and Stora Mr Kamprad acknowledges that by opting against both control by the family and pub-lic ownership, there is a risk that the entrepreneurial drive that he has imparted to Ikea for more than five decades

could be lost. "The scare scenario is that the ownership responsibility will be discharged by some sleepy bureaucrat on a foundahe told Manadens

Affärer, His hope is that the structure he has designed will result in Inter Ikea providing the necessary impetus as it relies on its royalty from the retail operations for its prosperity.

Hugh Carnegy and Stellan Björk

Stellan Björk is a Swedish freelance business journalist spe-cialising in management and able to Ikeakoncernen to bail it. corporate structures

All of these securities having been sold, this announcement appears as a matter of record only.

December 1995

4,266,437 Shares

CapMAC Holdings Inc.

Common Stock

Dillon, Read & Co. Inc.

Alex. Brown & Sons

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.

CS First Boston

Dean Witter Reynolds Inc.

Deutsche Morgan Grenfell

Donaldson, Lufkin & Jenrette

Morgan Stanley & Co.

A.G. Edwards & Sons, Inc.

Nesbitt Burns Securities Inc.

Lazard Frères & Co. LLC

Lehman Brothers

Merrill Lynch & Co.

J.P. Morgan Securities Inc.

Nomura Securities International, Inc.

Oppenheimer & Co., Inc.

PaineWebber Incorporated

Prudential Securities Incorporated

Salomon Brothers Inc.

Schroder Wertheim & Co.

Smith Barney Inc.

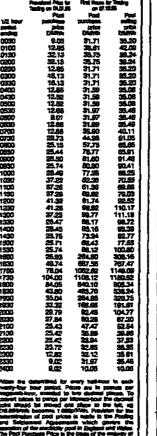
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the six month intere Period 29th December, 1995 to 28th June, 1996, this Notes will carry an interest rate of 7.60208 per cent. per annum, with a Coupon Amount of £1,890.13 per £50,000 Note and £18,901.35 per £500,000, payable on 28th Jane, 1996. Lived un the London Stock Exchange Bankers Trust

up to £25,000,000

Subordinated Floating Rate Notes Due 2006

a Paying Agent will remain with the holder of the Socurities represented thereby. Chemical Bank 55 Water Street New York, New York 10041 Attention: Corporate Trost Department

ADDITIONAL INFORMATION

Questions regarding the redemption of the Securities or the procedures for conversion may be referred to the Fiscal Agent. Certificates representing the Securities surrendered for redemption or conversion should be directed to any of the Paying Agents at their respective addresses set forth below. Certificates surrendered for conversion should be sent with sufficient time to assure receipt by one of the Paying Agents before the close of business on January 19, 1996. Risk of loss for delivery of certificates sent to Chemical Bank Trinity Tower
9 Thomas More Street London, England, El 9YT

Attention: Corporate Agency Department, 5th Floor

Banque Internationale à Luxembourg S.A. 2 Boulevard Royal L-2953 Luxembourg

إحكذا من الاصل

INTERNATIONAL COMPANIES AND FINANCE

Mahindra Ford to build second car plant in India

By Shiraz Sidhva in New Delhi

Mahindra Ford India, the joint venture between Ford of the US and the Bombay-based Mahindra and Mahindra group, plans to build another car plant in India

The new facility is to be sited in Maraimalai Nagar, near Madras. It will cost between Rs15bn and Rs20bn (\$426m-\$568m) and will be the second site for Ford's vehicle manufacture in India.

India's Foreign Investment Promotion Board recently cleared a proposal by the joint venture to invest \$746m in the Indian car business.

The plant is scheduled to be in operation by the end of 1998. It will initially produce Ford's

By William Barnes in Bangkok

Siam Pulp and Paper PCL, an

arm of the big Thai conglomer-ate Siam Cement, has bought

30 per cent of a \$1bn Indone-

sian pulp joint venture, its first

Thailand's biggest paper

products company is seeking to

diversify overseas and secure a

building the pulp plant in East

Kalimatan, which will be

will own 60 per cent of the ven-

ture, belongs to the PT Astra

Suryaraya Wahana, which

called PT Nityasa Prima.

overseas investment.

Fiesta model, and will have a Ford Motor Credit Company, capacity of 100,000 cars a year. Mahindra Ford will launch the Ford Escort later this year. It will be produced at Mahindra's existing facility at Nashik in Maharashtra, using both local and imported compo-

Mahindra and Mahindra is India's largest manufacturer of utility vehicles and tractors. with market shares of 57 per cent and 27 per cent respectively.

The group is among the top 10 industrial groups in the country, employing more than 17,000 in seven factories, and has one of the largest dealer networks in the country. Ford Credit International, a wholly-owned subsidiary of

Siam Pulp and Paper buys

30% of Indonesian venture

International Group: local

investors will hold the remain-

ing 10 per cent. The plant,

which start producing in 1999,

will have an initial capacity of

Mr Chumpol NaLamlieng,

Siam Cement's president, said

his group had to look overseas

for pulp because Thailand's

supply was limited by defores-

350,000 tonnes a year.

Mahindra and Mahindra, and Kotak Mahindra Finance, are setting up a joint venture. The new venture, Ford

Credit Kotak Mahindra, will exclusively finance purchases of Ford Mahindra vehicles in Ford Credit will have a 55

per cent stake, Mahindra 10 per cent, and Kotak Mahindra Finance 35 per cent. All three partners will contribute to the company's Rs300m equity.

Crosby Securities in Bangkok, said the group needed to cut costs because it had increased

capacity at a time when import

tariffs were reduced and a lot

of cheap paper entered the

been forced to export more

because of the competition and

they need to increase capacity

The pulp, paper and packag-

ing business accounted for

\$650m, or about 15 per cent, of

the Siam Cement group's total

"It's been tough - they've

country.

A separate joint venture, Kotak Mahindra Primus, will finance non-Ford passenger cars. Kotak Mahindra Finance will hold a majority stake of 60 per cent in that venture, with Ford Credit holding 40 per

> an emerging markets division in Chicago, where it hopes to trade futures and options on Mexican, Brazilian and Argen-tine stock indices and currencies, as well as Brady bonds.

"There is no question both [exchanges] see a lot of opportunities in emerging markets," said Mr Fred Grede, CBoT's senior vice-president of operations and planning. "The CBoT's long-term strategy is to develop domestic markets

The CME is prevented from developing joint ventures or linkages with other exchanges under its Globex contract with Reuters, the information organisation, leaving it to focus on developing emerging markets products on its own trading floor.

sulting expertise to its Argentine partners in the first phase of the new venture, with potential linkages or an equity partnership possible later.

Argentine venture

By Laurie Morse in Chicago

The Chicago Board of Trade has signed a letter of intent to develop a financial futures and options exchange in Argentina. The venture, which would be undertaken jointly with the Buenos Aires stock exchange and the Buenos Aires chamber of commerce, would be the Chicago futures market's first entry into Latin America.

The venture, which must still be approved by the CBoT's board of directors, puts the exchange in direct competition with its neighbour, the Chicago Mercantile Exchange, in the race to develop business

The CME this year will open

and shipping techniques. in these countries, which will eventually bring new product opportunities to Chicago."

The CBoT will provide con-

Once picked, the fruit has to be chilled immediately, and

CBoT plans | Hortifrut seeks bigger bite of cherry

Berry producer aims to improve its distribution, writes Imogen Mark

or Mr Victor Moller and or Mr Victor Moller and his workforce at Hortifrut in Chile, the world's biggest fresh berry exporter in the off-season, getting the fruit from the bushes to the blender is a battle against time. Raspberries, blackberries and blueberries make up the

bulk of Hortifrut's sales. However, it also grows small amounts of red and blackcurrants, wild strawberries and cranberries.

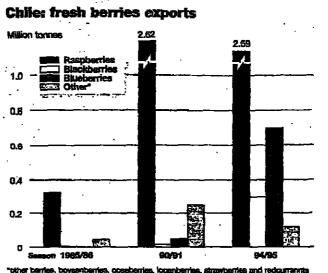
Berries are the most difficult of all fresh fruit to harvest and market because they are so perishable. They also have to be picked by hand, which requires a skilled and dedicated workforce of up to 2,000 people a day, who must be pre-pared to pick for up to 200 consecutive days, abandoning their families or bringing them

along to help pick. Hortifrut, like other big fruit traders, grows a substantial amount of its own fruit -about two-thirds of its current sales - and works closely with other growers for the rest. It has its own laboratory and a research department working on new varieties and growing

Chilean fruit farmers have an advantage over other offseason competitors, such as New Zealand and South Africa, in that they benefit from relatively low land and labour

The country's berry-growing regions stretch for 1.200km. from the central region around Santiago south to Puerto Montt. The range of temperatures and growing conditions and plantings of early and later-cropping varieties mean growers can supply fruit continuously from late November

be chilled immediately, and all tried and failed, Mr Moller The company shipped 60,000 kept at 1°C or 2°C while it is says, because they cannot boxes, mostly blackberries, last



trucked from the packing station to the airport. All fresh fruit is air-freighted, and its after-harvest life is less than

Source: Association of Fruit Exportent

Getting 10,000 boxes a day from Santiago to a US airport is not that hard, Mr Moller says. But "no-one buys a truck load of berries. They buy

maybe 60 or 70 boxes". The tricky business is to sell and then deliver to hundreds of customers a day while the fruit is still in a good condition. Since berries are not a large-volume business, like grapes or bananas, there is no established distribution network; Hortifrut has had to set up its own organisation in the US and Europe.

owever, the attention needed for relatively small volumes of fruit is what keeps out the competition. Big traders such as del Monte, Dole or Chiquita have all tried and failed, Mr Moller work efficiently at such small

Berries account for only 2 per cent of Chile's total fresh fruit exports, which reached 150m boxes and \$1bn in sales last season. Hortifrut's sales were \$27m last season and

One of Hortifrut's first steps when it set up 15 years ago was to form a joint marketing venture with a US berry pro-

ducer in California. Today the aim is to create a closer relationship, both in the US and with a European grower/shipper, to work on all aspects of the business from research and development to marketing and distribution, including a common brand

Meanwhile, Hortifrut is setting up production outside Chile, in the highlands of Mexico and in Guatemala, to improve supplies to the US

season and believes it can more than triple 1995-96 shipments. The idea is to be able to provide a steady supply to consumers throughout the offseason, and to avoid the current peaks and troughs.

Production from the central American region would provide fruit in October and November and in April, with Chile providing supplies from

November through to April. But, says Mr Moller, "you can't go into [the bush berry market] overnight and grow as fast as you like". Forming the workforce in the fields, in administration, sales and logistics, is not a question of money but of time, he adds. Hortifrut has financed most of its growth since its start-up out of cash flow.

The berry market has grown rapidly in the 15 years that Hortifrut has been in business. In the mid-1980s, Chile was exporting 400,000 boxes. By the beginning of the 1990s, it was

₹he demand is partly health-driven - raspberries, for example, are rich in an acid thought to be a cancer suppressant - while sales in Europe are partly regulation-driven: EU rules demand a higher proportion of real fruit in sauces and creams and yoghurts.

Like blueberries, cranberries are a new arrival in Chile, introduced only in the last 10 years, but they are relatively easy to propagate and grow, and are now going into full production, mainly for the US market. Two growers have taken the lead, and have already planted 600 hectares. It remains to be seen whether they have the necessary application to get the berries from the bushes to distant breakfast

pulp supply outside its tation and government restricto achieve economies of scale," depleted domestic base. tions on tree farming. Mr Middlehurst said. Siam's Thai pulp plant has been operating at full capacity of 285,000 tonnes a year, with The Thai company will pro-"Indonesia has huge wood resources - bigger than the vide technical support and advice for its Indonesian part-[Association of South East ner PT Suryaraya Wahana, in Asian Nations] region comall output taken by its own

bined." Mr Chumpol said.

"Clearly it is going to be

cheaper to produce pulp in

Mr Francis Middlehurst, of sales in 1994.

Indonesia for the foreseeable

future."

Rogers plans to list on NYSE

By Bernard Simon

in Toronto

Canada's broadcasters and cable TV operators are set to gain a wider exposure to international capital markets in the

wake of a proposed relaxation of foreign ownership rules. Rogers Communications, the country's biggest cable operator, yesterday began what is expected to become a trend with an announcement that it plans to list its non-voting Class B shares on the New

York Stock Exchange. Rogers said it was keen to gain wider attention from analysts at US investment banks

to bring foreign ownership rules for the broadcast and cable TV industries into line with the telecommunications

The maximum foreign investment in a holding company will be raised from 25 per cent to 33.3 per cent, with no restrictions on foreign holdings of non-voting shares. In addition, foreign investors will be allowed to own up to 20 per cent of an individual radio or television station.

Rogers' cellular phone subsidiary, Rogers Cantel, which is subject to the telecommuni-

The federal government NYSE listing. Cantel is curannounced plans late last year rently traded on the Nasdaq rently traded on the Nasdaq over-the-counter market.

Investors have until now placed lower values on Canadian cable TV companies than their US counterparts. Cable TV is a mature industry in Canada, with one of the highest levels of subscriber penetration in the world.

However, Mr John Henderson, analyst at ScotiaMcLeod in Toronto, said the cable operators' high-speed network could give them an edge over telephone companies in linking personal computers to the Internet "They have the best network to compete," Mr Hen-

and institutional investors. cations rules, also plans a derson said. France aims to strengthen COB

By David Buchan in Paris

The French government vesterday announced a plan to reinforce the authority of the Commission des Opérations de Bourse to control Paris' financial markets, as part of draft legislation to introduce the European Union investment services directive to France.

Yesterday's cabinet meeting approved the draft bill, which after it has been approved by parliament will allow investment services companies based and regulated in other EU countries to operate freely in the Paris markets.

France is one of several EU members which have failed to meet the January I deadline for implementation of the legislation. Mr Jean Arthuis, the finance minister, took comfort from this, claiming that "our two principal competitors and partners, Germany and the UK, are not in a more favourable situation than our own".

Under the new plan, the COB will be composed of a college of nine members, on the model introduced two years ago for the Bank of France's monetary policy council. Members will

be proposed by the National Assembly, the Senate and the Economic and Social Committee, and approved by France's president. The minutes of COB's deliberations will be

made public. Under the COB will be a new body, the Conseil des Marchés Financiers, the result of the merger of the Conseil des Bourses de Valeurs, which sets rules for the Paris equity market, and the Conseil des Marchés à Terme, which supervises the futures markets. The CMF will licence operators and set operating rules.



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is pleased to announce that they have been selected by Fannie Mae to participate as a member of its Debenture Selling Group

Effective January 2, 1996

REALTY FRENDS II (STICHTING)

TRUST MANAGEMENT AGREEMENT DATED 30 MARCH 1990

Bank of America Illinois, London branch (formerly Continental Bank N.A., London Branchi hereby declares that it has resigned as Transfer Agent, Authenticating Agent and Principal Paying Agent under the above agreement, and with immediate effect, Bank of America NT&SA, London branch, has been appointed as successor agent in the above

mentioned roles. Contact details will remain unchanged, If you have any queries relating to above, please contact, Tim Jacob, Agency Department, Bank of America NT&SA, Box 407, Bank of America House, 1, Alie Street, London E1 8DE, Tel: 171 634 4688 Fax: 171 634 4700.

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The party may be over but the invitation still stands.

A big thank you to all those who signed up for our Birthday year and a gentle reminder that we still need your help in the year ahead.



British Red Cross

COMPANY NEWS: UK

tough US competition

By Patrick Harverson

Shares in Bridon fell 12 per cent yesterday after the wire and wire rope manufacturer announced that an unexpected recent downturn in its main markets would leave profits for 1995 short of the previous year's total

In 1994 the Doncaster-based Bridon made £4.8m before exceptionals, and analysts estimated that the group would make like-for-like profits of between £4m to £4.5m (\$7m) in

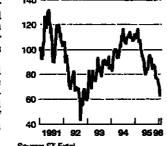
The shares closed down 141/2p at 104½p.

Despite the profits warning,

Bridon, which is in the final stages of a substantial restructuring programme, said it would stick to its pledge to raise the final dividend 10 per cent from 1994's payment of

The group blamed the downturn on various factors, but said the worst damage was inflicted by an outbreak of tough price competition in the US baler twine market. Bridon's US subsidiary was forced to match price cuts of 10 per cent by its main competitor, costing the unit a total of

Losses at Birkmyre, the group's non-core Australian textile business, also took their toll in the final quarter. Problems occurred there after the usual seasonal upturn in



demand failed to materialise because of the poor state of the

Mr Ron Petersen, chief executive, said new management had been installed at the operation in an attempt to improve its performance, but the group remained committed to finding a buyer for Birkmyre once it had returned to profitability.

Delays in the completion of a large bridge contract in Norway, and deferral of deliveries of some crane rope and wire products from 1995 to 1996, were also cited as reasons for the slump in profits.

Additionally, Bridon said the benefits of its restructuring programme, which it had expected to enjoy in late 1995, would not now be evident until

Weinberg joint venture acquires Lifetime's UK side

By Allson Smith,

Life Assurance Holding

Corporation, the joint venture between New York Life Worldwide and Sir Mark Weinberg, a leading figure in the UK life industry, is taking over the UK business of Lifetime Assurance, part of the Bank of

LAHC was set up just over a life policies and manage their existing funds more efficiently. Although Sir Mark resists the term, it is a version of what is known in the sector as a "vulture life" operation.

The Lifetime Assurance deal is the first to be initiated and carried through since the joint venture came into

Negotiations for the compa-ny's last purchase, of Crown Financial Management last February, began before the

The Lifetime book amounts to £70m (\$108m) in funds from about 10,000 policyholders, mainly in Northern Ireland. At first LAHC is simply reinsuring the portfolio, but the administration will be transferred as soon as possible, probably later this year. Mr John Wybrew, chief

executive of LAHC, said that structuring the deal like thi was the most effective way given that the transaction was cross-border and that it was not the acquisition of an entire company but merely a branch

He doubted that LAHC would have been interested in buying a company the size of Lifetime, but that this daal was "cleaner" than a full acquisition because LAHC was not having to take on offices or staff with the busi-

Bridon cut by | No looking back following a shocking start

Powerscreen has a steady growth record although its method has raised questions. Tim Burt reports

The workforce at Power-screen International can Powerscreen came to the marrecall exactly the week that Mr Shay McKeown arrived at the Ulster company. Soon after he started going over the books, the Dungannon plant was firebombed by the IRA.
"It was a terrible shock, but

we've never looked back," says the former accountant who, as chief executive, claims to have transformed the business into the most profitable manufacturer in Northern Ireland.

In the 16 years since the attack, buoyant overseas demand for its stone crushing and recycling equipment has underpinned steady growth at Powerscreen, which is this month starting work on a new factory at Kilbeggan in the

Irish Republic.
The plant, Powerscreen's 16th, will be used to manufacture screening machines that sort and separate different grades of soil, sand and gravel from rubble and old landfill. Despite the moribund state

of the UK construction industry, sales of such equipment have risen sharply, helping Powerscreen's turnover to more than double in the past two years. Profits, meanwhile, have risen by roughly 20 per cent a year since 1987.

Mr McKeown predicts sales this year will exceed £250m (\$385m). against £197m last

ket. Analysts, moreover, expect pre-tax profits to rise from £29.1m to about £37m.

That all looks rosy. But the method behind Powerscreen's growth has raised questions about the group's working cap-

Sales in the first half of the current financial year reached £121.1m, a relatively modest reported in the second half of last year. That £8.4m increase appears to have been financed

working capital.

Taken against first half operating profits of £17.3m, the working capital contributed to a negative net cash position of £7.53m at the end of Septem-

The size of Powerscreen's working capital requirements points to a wider malaise among similar engineering companies. They have been forced to meet rising demand by investing heavily in increased capacity and stocks.

Although stock days at Powerscreen have fallen from 109 to 94 in the past year, the cost of producing such stock remains high, especially for machines costing \$140,000 (£91,000) each.

There seems to be no shortage of finished crushing and



Shay McKeown: claims large stocks are vital if Powerscreen is to meet peak demand

screening machines at Powerscreen's Dungannon headquarters. The vard is full of muscular looking shredders and hoppers, bearing names such as Chieftain and Powergrid.

Mr McKeown however plays down working capital concerns. He claims large stocks are vital if Powerscreen is to meet peak demand in spring and autumn. You must have stock on the

ground or you're going to lose sales. We would never dream of reducing inventories to clean up the balance sheet - it would be cutting our own

With operating margins at 14.3 per cent, he says the group has room to cover stock demands and invest in new products.

It can also offset working capital demands by capping labour costs at its Northern Ireland plants. While pay rates in Ulster are generally lower than mainland Britain. Powerscreen has further limited its costs by setting up a subcontract workforce. Under the system, all but 53

of Powerscreen's 450 workers at Dungannon are employed not by the company but by shopfloor gaffers. In return for a fee, these foremen oversee production lines and employ the staff which man them.

"They make a profit according to how effectively they run their operations," says Mr McKeown "And it frees up management time for selling and product development."
The company has also

sought to reduce its dependence on the cash hungry crushing and screening activities by expanding its presence in materials handling. That division is dominated by Matbro, the manufacturer of telescopic lifting machinery acquired in 1991 for £3.4m. Matbro should contribute

more than £3.4m in profits this year and is expected to enjoy the first benefits of a new contract with John Deere, the US tractor manufacturer. That contract promises to generate more than £50m of extra business over the next three years. "We are trying to ensure that we are not dependent on any one market or customer. says Mr McKeown. He claims that mission, coupled to selective bolt-on acquisitions and a growing presence in North America and east Asia, will

drive Powerscreen forward. While laudable, the pursuit of volumes and market share may not be enough to guarantee rising profits and earnings per share. That will require a more rigorous approach to working capital and overheads. Powerscreen's chief executive. however, refuses to be

"Our working capital represents what is necessary to run this business. Of course it's going to go up, but so will profits."

Thomas Locker accuses investor over Pentre bid

By Tim Burt

Thomas Locker, the engineer, vesterday accused its largest single shareholder of attempt-ing to scupper the proposed £7.5m (\$12m) takeover of Pentre, an industrial drums

The company said that Mr John Carr, a private investor who holds a 22.6 per cent stake, was wrong in claiming that the takeover overvalued Pentre and undervalued its

Mr David Barr, finance director, said the deal promised to increase the size of the business significantly, improve productivity and strengthen the board.

Jacobs Holdings' shipping subsidiary, Dart Line, has

taken over operation of of the

Dartford to Vlissingen freight

Jacobs has recruited Mr

Simon Taylor, former manag-

ing director of Sally Line, to

ferry route from Sally Line.

Dart Line takes over

Vlissingen freight route

holders to reject the acquisition and criticised a proposed 3-for-10 scrip issue of additional ordinaries, designed to compensate ordinary shareholders for the loss of voting rights. He has also attacked a pro-

posed boardroom change, in which Mr Philip Gartside and Mr Michael Seymour, chief executive and managing director respectively of Pentre, would assume the same roles at an enlarged Thomas

However, the company said Mr Carr wanted to install himself as deputy chairman and was trying to promote his own self interests by seeking an

The acquisition will be put to

become managing director of Dart Line and of Thames Euro-

port, which runs the compa

ny's port facility at Dartford.

founder of Sally Line, was

appointed chief executive of

Mr Michael Kingshott, the

options reap £1.2m Mr Claes Hultman, chief

Hultman

executive of Eurotherm, vesterday made a paper profit of £1.18m (\$1.8m) by exercising share options in the industrial controls manufacturer.

Mr Hultman, who recently announced a 31 per cent rise in annual profits, exercised 304,090 shares worth £1.67m at the 550p closing price.

The Swedish businessman exercised 279,588 shares at 160.95p and 24,502 at 163.25p. giving rise to a notional gain of more than £1m. It also emerged that he has given his wife, Mrs Margot Hultman, a further 186,000 shares.

Mr Robert Biddle, finance director, said: "This is a good example of share options working as a reward for a top director." Under Mr Hultman grown from £120m to more

GA starts management reshuffle following purchase

By Raiph Atkins,

General Accident, the composite insurer based in Perth. Scotland, has begun a revamp of its senior management by confirming Mr Bob Scott as chief executive succeeding Mr Nelson Robertson, who retired at the end of last year.

GA has yet to fill vacancies created by the death before Christmas of Mr Barrie Holder, however, a deputy chief executive. Announcements are not expected until the end of the

Mr Holder had responsibility for life operations, finance. investments and GA's estate agencies. Mr Holder, Mr Robertson and Mr Scott, previously deputy chief executive, formed a management triumvirate out of which only Mr Scott There had been speculation

Mr Robertson might postpone his retirement pending the appointment of a new deputy chief executive or a reshuffle. The shake-up follows GA's £170m (\$262m) acquisition late last year of Provident Mutual,

shadow further consolidation in the insurance sector, the allocation of senior management responsibilities is regarded as an opportunity for Mr Scott to set his stamp on GA's future strategy. Within GA, Mr Scott has been nicknamed "Hurricane Bob" because of his energetic man-

agement style.

GA pointed out that general managers had been promoted to head UK commercial and personal insurance operations, following Mr Scott's appointment as chief executive

Ransomes chief receives more

mutual life insurer. With

Mr Peter Wilson, chief executive of Ransomes, directors' remuneration rose from £284,000 to Eurotherm's capitalisation had | the grass-cutting equipment manufacturer, was £513,000. In the same period, pre-tax profits were

paid £302,000 (\$465,000) in 1995, against £140,000 £9.22m (£6.11m).Last month the group in the nine months to September 30 1994. Total announced a £37.3m rights issue to repay debt.

Wanted: new management team

Rexam may attract unwelcome suitors, says Patrick Harverson

t should not be hard to guess the new year's resolution of management at the Knightsbridge headquarters of Rexam this week: find a new chairman and chief execu-

tive, and quickly. First, however, management at the printing and packaging group will be celebrating that a truly miserable 1995 is over. Following a bright start, the second half turned disastrous in the space of a few months, as Rexam's shares lost almost 40 per cent of their value after the group issued two profits warnings in quick succession.

Reporting that conditions in its main markets had deteriorated unexpectedly rapidly, the group warned that 1995 profits would be about 20 per cent below 1994's total of £226m. (\$348m) ending three years of impressive profits growth.

The steep decline in its share price nearly cost Rexam – which last year changed its name from Bowater – its place in the FT-SE 100 index, and also left management and

shareholders rattled.

Against this bleak background, finding a new management team to replace Mr Michael Woodhouse as chairman and Mr David Lyon as chief executive - both step down in June – has become an ever more urgent priority. Yet the search for their successors. which has already taken up more than a year of the group's time, is dragging on too long for some critics.

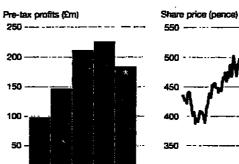
"I'm staggered that they haven't resolved the management issue yet," says a former senior executive, who believes the failure to fill the top two posts is hampering Rexam's ability to steer a safe course out of its current difficulties. Mr Tony Willis, analyst at BZW, agrees. "It would be very disappointing and surprising if they didn't appoint a new chief

executive and chairman in the next six weeks or so," he says. The current chairman, however, insists the wait will soon be over. "We're approaching the moment when it's time to make an announcement," said Mr Woodhouse this week.

Yet the timing of the de-stocking-led fall in demand seemed to hit Rexam particu-Yet analysts warn that if larly hard because it affected

worldwide.

New resolutions needed



1991 92 93 94

and packaging group - denied

demand from consumers - has

hurt packaging companies



management strong on



ue-added packaging and print-ing sectors (such as food and

sion soon, the group could ucts - which had only recently become vulnerable to a hostile been expanded. The result was that expensive purchases in North America acquired to bid - takeover speculation yesterday lifted the shares 19p to improve the group's long-term 379p. Last month, after the shares had fallen from a sumgrowth prospects were sudmer high of 520p to 338p. anadealy performing poorly.

Moreover, critics used the lysts reported that rivals in the destocking issue to attack the group for failing to realise earindustry had begun to display an interest in Rexam, attracted by the possibility of buying it lier that customers would start to run down stocks once prices on the cheap. Although one of the possible rumoured bidders - Alusuisse, the Swiss metals had peaked. They said it was an example of how a Rexam

any interest in the UK com-pany, the City still sees Rexam long-term corporate vision had lost touch with the market and as an attractive target. its customers. As one rival executive in the industry noted: In times of high volatil-As one analyst explained: "They are particularly vulneraity [in prices], unless you are absolutely on the ball you can ble. You have a company which was a stock market darcome unstuck. And to be on the ball means having deep ling but which has announced two profits warnings in quick succession. It has a manageknowledge of what your cusment in hiatus, and shareholdtomers and suppliers are ers who are getting fed-up. If doing, knowledge right at the very top of the company."
Rexam defends itself stoutly anyone was ever going to go for it, it would be now. It

would be very hard for Rexam on this issue. After the most recent profits warning in to put up a good defence." Yet, as the critics admit, the November, Mr Lyon said: "I blame for some of the problems reject any suggestion that the directors are half asleep on the ninth floor of Bowater House at Rexam cannot be laid at the management's door. In the watching the ducks and geese in Hyde Park." past six months, severe destocking by customers - reacting to an apparent peaking in commodity prices and slowing

The current management may be more vulnerable to questions about strategy, and in particular whether it has allowed the structure of the group, with its diverse interests in engineering, windows and other building materials, to become unwieldy.

For while Mr Lyon has been

sort itself out," she believes.

applauded for expanding into higher margin businesses such as coated products and val-

drink, cosmetics and toiletries, and healthcare and pharmaceuticals), doubts have been raised over whether Rexam should still be operating in unrelated areas - notably in the German windows and Australian engineering busines The latter operation is already up for sale, and it is increasingly likely that other extraneous parts of the business may also go. Although Rexam will not be drawn on the subject of disposals, Mr Woodhouse hints that non-core businesses may eventually be sold. He says: "The issue is whether, in order to expand our major businesses, we need to raise money by selling those [operations] that are not near

to our main business. These are questions which will have to be tackled by the new management team, says Ms Sonia Falaschi, analyst at "The most important issue is the appointment of the chief executive and chairman. The rest of it, through prope management, will-eventually

However, Rexam could be overtaken by events if it does not make a move soon, warns Mr Willis of BZW. Referring to the recent takeover speculation, he says: "If they can't find a new management, maybe someone will find the

Midland Bank plc

This announcement appears

as a matter of record only

HSBC Holdings plc

The holding company of one of the world's

largest banking and financial services organizations

through its wholly-owned subsidiary

has acquired 6.1+% of the ordinary share capital of



Banco Bamerindus do Brasil Sociedade Anônima

Curitiba, December 1995.

COMMODITIES AND AGRICULTURE

MARKET REPORT

London gold price jumps to highest for 8½ months

The precious metals markets The \$5.35-cent morning fixing lience was undermined from continued their climb out of the year-end trough yesterday when the GOLD price was fixed at an 8%-month high.

Further buying by the USbased funds that had abandoned base metals over the previous 24 hours to pick up lower-priced US equities and precious metals was an important factor, dealers said.

Gold was fixed at \$393.40 a troy ounce in the afternoon, its highest fixing since April 19, 1995, when it was at \$396.95. By the close it had gained another

"It found resistance at \$394.50 but it looks realistic around this level," one dealer said. The market had encountered only scattered selling from producers at the higher levels, others noted. Now stoploss buying orders were looming not far above the market, they added. These could come into play if prices moved closer to over-the-counter (OTC) call options at \$395 and \$400.

The SILVER market was also strong, the cash price touching \$5.45 an ounce before closing at \$5.39%, adding 14 cents to Tuesday's 11.5-cent advance.

was the highest since November 21.

Base metals clawed back some lost ground in after hours "kerb" trading on the London Metal Exchange. But traders said the rallies were unconvincing and prices look set for further punishment.

COPPER led the way lower, the three months delivery plummeting to a fresh 14month low of \$2,565 at one stage. Traders said copper suf-fered from investment fund sales, as speculative money switched into booming precious metals and equities January traded option decla-rations at late morning passed

quietly, with more \$2,750 puts than calls exercised, which was indicative of negative senti-Last business on the kerb

was at \$2,575 a tonne, down \$54 from Tuesday's kerb close. However, the cash/threemonths premium, or "backwardation", was \$180/190 at the close and traders there was likely to be a reluctance to sell the market short while nearby backwardations persisted. ALUMINIUM's relative resilmidsession onwards when trade interest around the \$1,690-1,695-a-tonne level was unable to offset speculative selling.

Despite some late buying on the kerb, the three months price still finished under pressure at \$1,672, the day's low and \$26 down from Tuesday. Traders thought the market was more likely to test the \$1,650 end of a \$70 trading

NICKEL prices managed to stage a rally from the low of \$7,460 a tonne for three months delivery, but business was erratic and the market was unable to sustain levels around \$7,600. The last trade was at \$7,570, down \$10 on the day. Traders said a recovery of

some \$100 in nickel was only to

be expected, given declines of some \$500 in little more than a day. Overall bearish market sentiment suggested the rally would soon encounter selling Three months LEAD rallied from a low of \$680 tonne, with late kerb buying ensuring that the market concluded the session in the plus column.

Dairy profits thrive on home cooking, says machinery maker

By Deborah Hargreaves

Dairy farmers can save money and increase their profits by feeding their cows home-grown foods rather than buying man-ufactured pellets, according to Keenan, a farm machinery

The company says that trials of its machines, in which farmers mix their own rations for their herds using ingredients such as cereals, linseed, oilseed rape, molasses and fishmeal, have resulted in some farmers doubling their profit-

Mixing their own feeds in this way means farmers can tailor rations to fit the herd and the type of milk required, such as lower fat or higher pro-

tein content. Mr Greg Fletcher who farms 135 acres in Leicestershire says his profitability has improved by a third and feed costs have fallen by 20 per cent since using the new feeding system. Milk production and protein levels are up, our cows look healthier and their fertility has

all times during the day rather than just in the parlour at milking time, which improves their digestion, the company says, and leads to better quality milk production.

Mr Fletcher's herd of 95 cows produces an average yield of 7.800 litres of milk a year compared with 6,500 litres when they were eating pellets. The protein content of the milk has risen which means an extra L3p a litre to the milk price adding £9.100 a year to the

Indian aluminium group sees bright future Kunal Bose reports on expansion and modernisation plans at Hindalco Industries

Hadalco Industries, India's second biggest aluminium group, is to aluminium group, is to explore the possibility of buildng a new aluminium complex. The infrastructure at Renukoot in Uttar Pradesh where its present 170,000 tonne smelter is located will now allow expansion of capacity beyond 242,000 tonnes, according to Mr AK Agarwala, the group's pres-

"The first thing that we will have to do is to identify a bauxite [aluminium ore] reserve of 250m to 300m tonnes," he says. "We shall be looking at deposits in Orissa, Madhya Pradesh and Bihar. For the new complex, we want to have a 1m-tonne capacity alumina [aluminium oxide] refinery, so that there is a surplus for export after feeding a 225,000- to 250,000-tonne smelter. If we are to make a success of the venture, then we must have a captive power generation capacity of about 600MW. We will have to find a good coal linkage for the power plant." The proposed complex will need an investment of

over US\$1.7bn. According to industry offi-cials, the Hindalco investment plan is justified as Indian demand for aluminium is expected to grow at an annual rate of 10 to 12 per cent in the next five years to reach about 1m tonnes by 2001 and existing smelting capacity is only about minium, the country's biggest aluminium group, has proposed the expansion of its smelting capacity to 345,000 tonnes from 230,000 tonnes; but the federal government, which owns it, has not yet cleared the

With the government tightly controlling the industry until a few years ago, aluminium com-panies could not take advantage of the country's buge bauxite reserve of 2.65bn tonnes - the fourth largest in the world - to build a large smelting capacity. It took Rin-dalco, part of the Aditya Birla group more than 30 years to raise the capacity of its smelter at Renukoot to 170,000 tonnes from 20,000 tonnes. Hindalco was promoted as a joint venture with Kaiser Aluminium of the US, but Kaiser sold its stake in 1988 as part of its global divestment strategy. Hindalco continues to employ Kaiser smelting technology with improvements brought about by in-house research and

development. Hindalco has undertaken a capital expenditure programme of Rs12.50bn (\$355m) for capacity expansion as well as comprehensive modernisation of the existing manufacturing units. "The basic thrust of the investment programme is to raise the smelting capacity by 40,000 tonnes to 210,000 tonnes. Since we want to have total

inputs needed for the production of aluminium, we are expanding the alumina refinery capacity by 100,000 tonnes to 450,000 tonnes and building two new coal-fired power units to step up the power genera-tion capacity to 500MW," says Mr Agarwala.

ollowing the lowering of the import duty on alu-minium to 10 per cent, Indian manufacturers are under increased pressure to produce metal and rolled products of consistently high quality at the lowest possible cost. The globalisation of India's aluminium business, brought about by metal import at low customs duty, has been the most important incentive for Hindalco to undertake a thorough modernisation of its hot and cold rolling mills and the extrusion unit. An important objective of

the investment is to enlarge the company's product mix in response to the changing requirements of consumers both at home and abroad. The modernisation will see Hindalco's production capacity of rolled items rise to 80,000 tonnes from 45,000. There will also be a greater degree of value addition in extruded products. "The greater empha-sis on value added products does not mean that the Indian fabricators who depend on Hinsuffer. We will continue to sell almost 50 per cent of our production in the form of primary metal," says Mr Agarwala, Hindalco has a 33 per cent share of the domestic aluminium mar-

While the modernisation work has made considerable progress, the management is confident that the expansion of alumina refinery, power sta-tion and the smelter will be completed by the coming October. Mr Agarwala says the Renukoot smelter can be further expanded to 242,000 tonnes with the addition of another power unit of 75MW. Hindalco has decided to expand the smelter capacity to the optimum level at an investment of Rashn as soon as the present expansion and modern-

sation work is over. Hindalco, India's most profit-able aluminium company, is a cautious investor. It could have set up an aluminium foil plant a long time ago, but it waited to see strong demand growth for foil from the food processing and pharmaceutical industries before deciding to build a 5,000-tonnes-a-year plant at Silvassa in the Union Territory of Dadra and Nagar Haveli. "We are starting with a small capacity. We want to understand the business well before we expand capacity." says Mr Agarwala. The next major innovation

550,000 tonnes. National Alu- control over the two major dalco for primary metal will for Hindalco could be the production of cast aluminium wheels for cars, following decisions by General Motors, Peugeot, Mercedes Benz, Daewoo and Mitsubishi, among others, to produce cars in India.

Hindalco raised a total of \$208m in two tranches by selling global depositary receipts to part-finance the modernisation and expansion programme. Funding of the second phase of expansion to 242,000 tonnes, according to Mr RK Kasliwal, joint president, will be done through "internal generation of resources and loans from financial institutions and banks". With a debtto-equity ratio of 0.21:1, the company is well placed to bor-row funds.

J.P. Morgan has described Hindalco as one of the "world's low cost producers" of aluminium. At 46.7 cents a pound Hindalco's production costs are well below the world average of 60.2 cents. High aluminium prices, nearly 95 per cent capacity utilisation of its power plants and the consumption of only 14,376 units of power per tonne of aluminium produced - is to be brought down by another 500 units by the modernisation - made it possible for Hindalco to earn a net profit of Rs2.92bn on a turnover of Rs9.56bn during the year ended March 31, 1995. And the company hopes to do even better in the current year.

Downbeat year forecast for commodity markets

By Deborah Hargreaves

The world commodity markets' bubble appears to have burst, with forecasters who had been trumpeting rising prices in previous years now taking a decidedly downbeat view of the outlook for 1996.

GNI, the London broker, picks out grain prices as an exception in a year expected to be characterised by dull mar-kets for most other commodities. The recent high prices in grains and oilseeds will not fall

SOFTS

substantially until it becomes clear that farmers have been motivated to increase plantings to replenish world stocks, the broker says in its outlook report for the year.

Other soft commodities, such as sugar, have already shown how production can be increased swiftly in response to higher prices. The sugar market moved into surplus last year, resulting in a drop in price from a peak of nearly 16 US cents a pound to less than 10 cents a pound towards the

end of the year. GNI points to the possibility of a further sharp price decline for sugar

this year.

Coffee stocks are exceptionally low in consuming coun-tries and that could lead to tightness in the market in com-ing months. Prices have been depressed, however, by the expectation of a large harvest this year, with the highly remunerative prices 1993-1994 leading to a surge in output and a possible glut next

Satt Day's Open Price change High Law Vol Int.

68.850 +0.650 66.726 68.100 7,375 31,275 86.475 +0.500 68.800 68.150 3,193 17,471

45.575 -1.500 45.800 48.575 748 15,020

MEAT AND LIVESTOCK

61.225 +0.350 61.350 60.900 82.825 +0.175 63.000 82.675 63.460 +0.150 63.550 63.325

looked to be heading for a bull market three years ago, is now coming under pressure from large supplies from the Ivory Coast. But it points to enough uncertainties in the market to make it a potentially strong performer in the middle of the

Industrial commodities, energy and most of the base metals are expected to come under pressure from increasing supplies, GNI says. Demand will provide the key to how

JOTTER PAD

stocks are tight, but the broker expects demand to be stagnant or weak, leading to falling

GNI doubts that there will be a repeat of the bullish euphoria seen in 1994 and in some areas last year. Much will depend on global economic growth, the company says, but it does not expect commodity price inflation to make an impact on the world economic environment until 1998 and possibly the end of the decade.

COMMODITIES PRICES BASE METALS -LONDON METAL EXCHANGE E ALLIMINIUM, 99.7 PURITY (\$ per tonne) M ALUMINIUM ALLOY (\$ per torine) 1455-57 5,090 1,797 Open int. Total delly turnover ■ LEAD (\$ per tonne) 683-84 698-99 687/680 683.5-84.0 685-7 Close Previous High/low AM Official Kerb close Open int. Total daily tumo NICKEL (5 per tonne 7565-75 7650-55 7600/7455 Close Previous High/low AM Official Kerb close 7360-70 7490-500 Open int. Total daily turnover III TIN (5 per lonne) 6260-65 6295-300 6260/6245 6265-70 6270-75 6270-80 Kerb close Open Int. Total delay tumo 13,496 ZINC, special hig grade (5 per tonne) 1013-15 1019-20 1019/1013 1019-19-5 989.5-91.5 Previous High/low AM Official 1018-19 # COPPER, grade A S per tonn 2739-40 2805-10 2572-73 Previous High/low AM Official # LME AM Official 2/\$ rate: 1.5625 LME Closing E/\$ rate: 1.5515 I HIGH GRADE COPPER (COMES)

122.30 -1.10 123.40 122.90 309 120.00 -1.10 121.25 119.50 57 116.90 -1.20 118.50 115.80 12.215 115.70 -1.20 118.10 115.00 21 114.55 -1.25 115.30 113.90 1.026 113.80 -1.20 114.50 114.00 9 9 515 **5,295 35,39**3 PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Rothschild Gold(Troy cz) \$ price Clase 393,50-394,00 390.30-390.60 389.50 383.40 394,75-395.25 390,30-390.80 Day's High Day's Low revious close 389.00-389.40 Loco Ldn Mean Gold Lending Rates (Vs USS) US ets equiv. 535.00 541.50 547.30 559.25 Silver Flax Spot 344.25 349.20 353.75 363.85 3 mantis 6 months 1 year € equiv 251-252 5 price 390-391 404.90-c07.40

3962 +4.3 396.3 391.8 41,453 57,500 398.2 +4.3 398.5 394.2 550 15,916 400.2 +4.3 400.6 385.7 721 23,738 402.2 +4.3 - 394.5 26 4.519 404.2 +4.3 - 5 26 4.519 404.2 +4.3 - 5 2,223 406.2 +4.2 406.0 404.0 273 10,611 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)
 409.5
 +4.8
 411.0
 405.0
 391
 646

 413.4
 +5.1
 415.4
 408.0
 4,064
 19,387

 415.1
 +5.1
 416.5
 412.5
 26
 2,368

 416.8
 +5.1
 418.0
 418.0
 ?71
 1,379
 # PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 134.00 +0.75 137.00 133.50 484 5.582 135.50 +0.75 139.00 135.75 12 634 138.00 +0.75 - - 3 SILVER COMEX (5,000 Tray az.; Cents/tray az.)
 538.8
 -0.5
 538.0
 538.0
 84
 84

 538.7
 -0.3
 548.0
 538.0
 31.029
 61.663

 543.5
 -0.2
 553.0
 542.0
 279
 10.066

 547.9
 -0.1
 556.0
 548.0
 1.143
 7.455

 552.3
 550.0
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 10
 8,897

 558.7
 +0.1
 568.0
 560.0
 175
 5,345
 ENERGY E CRUDE OIL NYMEX (42,000 US gails. \$/barrel) 19.85 +0.05 19.95 19.76 28.028 86.708 19.31 +0.07 19.38 19.21 14.229 46.058 18.87 +0.03 18.91 18.79 7.755 28.013 18.50 -0.04 18.59 18.48 5.751 18.02 18.23 18.20 5.822 35.854 18.31 -0.01 18.17 18.07 3.864 18.383 75,097 358,747 ■ CRUDE Off. PE (\$/barret) 18.68 18.57 15.60 67.894 18.11 18.02 9,846 31,424 17.86 17.59 2.362 13.514 17.33 17.25 1,837 6.628 17.09 17.03 1,349 10.519 16.94 16.94 560 4,972 31,836 48,904 -0.03 -0.02 +0.02 -7.01 # HEATING CIL NYMEX (42,000 US gails.; c/US gails.) 59.90 -0.03 60.55 56.70 60.352 55.55 -0.052 57.55 50.352 5 179.00 +2.75 179.25 177.25 6.554 3
174.00 +2.00 174.50 173.00 7.807 2
168.25 +2.25 188.75 187.50 1.405
162.59 +2.00 163.00 162.00 1.012
159.75 +2.00 163.00 160.00 61
157.00 +1.50 157.25 156.00 339 6.654 32.773 7.907 27.824 1.405 8.622 1.012 4.065 61 1.522 5.773 MATURAL GAS MYNEX (10,000 minifita.: Simplifita.) Latest Day's price change 2940 +0.081 3 100 2.860 13.970 37.095 2.250 +0.055 2 440 2.220 2.540 23.222 1.390 +0.019 2.040 1.960 1.275 16.232 1.575 +0.014 1.900 1.860 1.275 16.232 1.815 +0.004 1.855 1.810 859 10.754 1.725 +0.009 1.800 1.777 615 8.059

RYMEX (42,000 US gails.; c/US gails.)

-0.24 +0.04 99 97 93 97 93 58.75 56.95

+0.20

56.30 +0.20 56.30

59 00 58.25 58.00 58.00 57.25 57.25

9,638 30,069 2,304 12,252 629 6,015 163 5,165 83 2,911 52 3,021

GRAINS AND OIL SEEDS Precious Metals continued B GOLD COMEX (100 Troy oz.; \$/troy oz.) WHEAT LCE (E per torme) 9et Day's price classings High Low 124.25 -0.40 124.45 124.45 128.40 -0.20 128.40 130.40 130.40 134.50 -0.50 114.75 14.7 128.40 -0.20 128.40 128.10 130.35 -0.30 130.40 130.40 114.50 -0.50 114.75 114.75 116.50 -0.20 116.50 116.50 ■ WHEAT CBY (5.000bu mm; cents/60tb bushel) Mar May Jul Sep 508.25 _025 509.50 Std 50 17.809 45.100 +0.50 480.50 474.00 3,003 +2.50 449.50 442.00 4,961 +2.00 450.00 443.00 298 MAIZE CST (5,000 bu mirt; cents/56tb bushet) 374.00 +0.75 374.50 370.25 51,699.293,371 377.50 +1.50 378.00 373.50 12,150 81,510 374.75 +2.00 375.00 370.50 12,095 76,377 315.25 +1.00 316.75 314.75 2,684 17,373 ■ BARUEY LCE (E per tonne) - 117.50 117.50 +0.60 - -30 244 5 849 - 410 - 20 5 66 36 1,589 30 5 119 00 109 25 111 00 SOYABEANS CRI (5,000kg man, contaction) busheli 756.00 +7.50 757.00 743.00 12,446 13,141 +7 75 757 00 753.00 40,495 106,618 771.50 +925 772.00 757.50 3.468 22.249 771.75 +350 772.50 757.50 4.538 27.757 764.00 +7.00 760.50 752.50 115 2.024 735.00 +7.00 760.50 752.50 116 2.133 65,736 202,276 M SOYABEAN OIL CBT (63,0002bs: cents/fb) 5.13 +615 75.26 24.98 3.637 4.853 25.57 +0.13 25.65 25.38 6.033 41.474 25.95 +0.10 26.27 25.72 1.531 13.841 25.22 +0.11 25.23 25.08 1.518 10.989 25.32 +0.10 25.42 25.25 254 2.319 25.40 +0.10 26.45 26.45 140 949 Jea Mar Mar May Jea Jea E SOYABEAN MEAL CET (100 tons: \$/ton) *2: 2392 2354 2891 9,000 *12 2434 2392 11,894 28,304 *23 2435 2395 2578 13,305 *26 2435 2337 1340 12,919 *23 2348 2350 51 1,889 *25 2310 2290 32 1,490 *27 2348 2350 430 430 Jea Mer May Jul Jul Sep Total 239.4 242.9 243.5 242.8 239.0 231.5 POTATOES LCE (Charme) 1,077 9 **45** 2350 2300 1,195 +20 +12 +22 +23 +17 1605 1565 1535 1343 1525 1,074 210 1,362 692 210 22 2,698 1565 1528 1340 FUTURES DATA futures data supplied by CSSS.

Nerts and Seeds
Prices from Kenicko Group: USS a tenne, tranari pistached 25/50 raw in shell naturally
opened tround;; new orang 3.450 CFR/FOT
MEP, 25/28 3.560 CFR/FOT MEP. US atmonds
pisteled; 22/25 NPSSR 1995 crop at 6.300
FAS, farming - buyers strawing more interest,
but large supplies left over after Christmens.
Sellers warting to see real demand. Rising
stowly. US waterus ishefied light halves and
paces, 1995 crop at 6.285 FOB; very firm
indian cashawis; 1995 crop, raw, W-320, 267 a
pound, spot FOT Rettardam; IV-240, 2-68 a
pound, FOB India - both for shipment the
month. Turksh hasehut kamels, 1975 standard 1s, 1995 crop at 2,725 CFR MEP; quiet.
Russian snow white pumpkin seeds: 1995
crop, long, grace A, at 2,505 FOB MEP; round, Russian anow white pumplin seeds: 1995 crop, long, grade A at 2,050 FCA MEP; round, 2,350 FOB MEP. Desiculted cocount 59 cents erse of shortage

LIVE CATTLE CME (40,000lbs; cents/lbs) 896 2,852 35,509 916 790 14,871 939 132 7,570 954 152 28,572 973 180 7,389 989 177 20,555 E COCOA CSCE (10 tonnes; \$/tonnes) 1248 -23 1227 1246 4,598 37,385 1273 -21 1302 1271 1,073 17,156 1297 -21 1325 1295 930 6,145 1320 -22 1344 1318 18 9,536 1351 -20 1373 1360 1 8,101 247 5.512 IE COCCA (CCC) (SDR's/tonne -107 1885 -48 1705 -31 1610 -32 1555 -36 1522 -38 1512 1784 629 2,576 1864 4,212 15,428 1575 923 7,448 1525 154 3,158 1512 33 1,417 1512 7 410 ■ COFFEE *C* CSCE (37,500lbs; cents/lbs) \$1.73 +2.50 \$4.40 \$0.40 \$.719 18.717 \$2.95 +2.40 \$1.25 \$0.10 \$65 \$.103 \$3.00 +2.15 \$3.50 \$0.50 \$42 \$1.954 \$3.28 +2.20 \$2.90 \$1.00 \$1.4 \$1.269 \$3.00 +2.00 \$3.70 \$1.00 \$3 772 \$3.00 +2.35 \$1.50 \$91.50 \$8 \$2.86 Mary Mary Jel Sep Dec Mary Total BJ717 28.051 ■ COFFEE (ICO) (US conts/pound) Price 90.80 -2.3 365.5 362.0 1,736 15,026 40.7 351.0 348.0 730 7,327 -0.7 338.9 337.0 277 3,002 -1.7 314.4 313.0 63 3,700 -3.2 306.9 306.9 57 1,022 -5.1 307.0 304.0 11 390 364.8 342.7 336.3 311.8 SUGAR "11" CSCE (112,000/bs; cents/bs) 11.84 +0.01 11.89 11.7715.546 25.989 11.37 -0.02 11.43 11.34 3,450 26,982 10.57 - 10.60 10.56 1,511 17.177 10.25 - 10.28 10.24 1,159 19.538 10.02 - 10.05 10.01 227 11,720 9.87 - 9.93 9.89 65 1,709 71 227 11,720 71 227 11,720 83 65 1,709 22,945163,782 E COTTON NYCE (50,000lbs: certs/lbs) 82.15 +1.48 82.50 80.30 2.805 25.521 81.65 +1.38 82.00 79.87 979 10.051 80.95 +1.25 81.30 79.46 436 7.570 78.70 +0.08 79.00 78.20 24 1,829 76.88 +0.31 77.90 78.40 249 9.961 77.93 +0.28 - - 950 E ORANGE JUICE NYCE (15,000lbs; cents/bs) 116.75 -2.50 119.30 116.80 475 2.918 119.30 -2.95 122.70 119.25 1.22 13.080 122.15 -2.85 125.60 122.10 73 1.939 124.55 -2.95 127.40 125.25 38 73 126.55 -3.15 - 40 1.944 126.55 -3.30 - 1 3.23 -2.95 127.40 125.25 -3.15 - -40 1,044 1 323 1,884 21,278 VOLUME DATA INDICES

REUTERS (Base: 18/9/31=100) Jan 2 month ago 2090,4 2155,8 E CRB Fetares (Base: 1967-100) Dec 29 month ago 243.18 ■ GSCI Spot (Base: 1970=100)

加加 45,300 -1,150 45,800 44,975 51,050 -0,680 51,500 50,775 50,875 -0,300 51,300 50,560 III PORK BELLIES CIME (40,000lbs; certs/ba) 54,275 -2,000 54,275 54,275 54,100 -2,000 54,400 54,100 55,000 -2,000 55,550 56,000 56,100 -2,000 56,500 56,100 Feb Mar May 185 4.601 53,900 -0.750 54,500 53,650 LONDON TRADED OPTIONS Apr 102 49 19 Feb 12 61 147 37 86 159 E COFFEE LCE May 125 156 191 1500 . 1550 . IF COCCALCE 1750 . 1800 . 1850 LONDON SPOT MARKETS

+0.070 +0.060 +0.130 \$17.24-7,32w \$19.09-8.11 \$18,57-8,59

W.T.L III Oil PRODUCTS NWE prompt delivery CIF (tonne) \$175-177 Gas Oil Heavy Fuel Oil Naphtha Jet fuel \$108-110 \$171-173 \$208-210 \$187-188 OTHER Gold (per troy cz) Silver (per troy cz) Plięsinum (per troy cz.) Paliedium (per troy cz.) \$363,75 +14.00 +10.50 +4.50 539,50c \$410,50 \$133,00 Copper Lead (US prod.)

125.0c 41,75c 15.75m 297.5c Cattle five weight)† Sheep (ive weight)† Figs (ive weight)† 140.70p \$319.6 \$388.5 +7.2 +16.0 Lon. day sugar (raw) Lon. day sugar (wha) Barley (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark Morth) £117,75 151.0z Uraq 109.000 Rubber (Lienty) Rubber (Febry) 109.00p 404.50m +0.50 +6,00 Coconst Oil (Phill)S Patri Oil (Malay);S Copra (Phill)S Soyabetra (US) Cotton Outlook'A' Index Woolkops (64s Supar) \$717.5y \$582.5z 464.0u

440p 2 per totae uniese othersie r ringgiffig, m Malaysien c Feb. y Jaziffeb. z Oct/Der dam. & Bullon merket close

216.0

CROSSWORD No.8,958 Set by HIGHLANDER

ACROSS On waterway worked hard for ruthless taskmaster (5-6)
 Graduate to piano roll (3) 9 Attack is beginning (5) university (6)
10 Drink drop to make up miss14 A stupid sheep overturned ing amount (9)

11 Cultivated grass still said to offer special spectacles (9)

12 Wise perhaps to throw nationalist leader in Jake? (5)

15 Where art is seen as rubbishy stuff by English (4)

18 Bits of ice are welcome (4)

20 Good head girls appear in speciacles (7)

21 Odds on top two in Germany

ary (8)

26 Top edges of dresses show wrinkles on cheek (9)

27 Animal shot out of sight (5) 28 Stop newspaperman catching

name (3) 29 Avoided pretentiousness with plain door front (11) DOWN before queen (8) 2 Burst out in sea that's rough and deep (8) 3 Dine at home, feeding interminably (3,2)

4 Got up sober to take English 6 Retired soldlers disc

10.000 · 10

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*

8 Young bird reversed order at

To hang with short way to telephone (6.2) alist leader in lake? (5)

13 Anne's out and about in trap

(7)

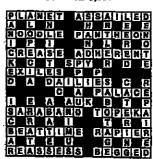
Hamburgers, perhaps? (4,4)

19 Picked up Shakespeare's King

Edward (7)

20 Good nead girls appear in spectacles (7) 21 Odds on top two in Germany cleaning material (6) 22 Bill brought up outside pro-vided support is shown (5) 55 Species on Support in Schown (6) ent (7)
23 Do piece on end of story (5)
24 An expert on first revolution25 Sponge enclosure contains key (5)

Solution 8,957



صكدا من الدحل

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat from session highs

By Lisa Bransten in New York and Antonia Sharpe in London

US Treasuries were mostly flat by midday vesterday as traders looked to Washington for news of budget negotiations, as the partial government shutdown entered its 20th day.

Prices were higher in early trading, lifted in part by optimism that meetings late on Tuesday had brought the White House and the Congress closer to a deal that would balance the budget by 2002.

Later, however, bonds fell from their session highs as few signs of concrete progress emerged. Congressional leaders were scheduled to meet President Clinton at 1:30pm for another round of negotiations. By midday, the benchmark 30-year Treasury bond was up $\frac{1}{12}$ at $112\frac{21}{12}$ to yield 5.955 per cent, while at the short end of the maturity spectrum the twoyear note was 1 lower at 100 1.

yielding 5.150 per cent. Comments from Mr Alan Blinder, vice-chairman of the Federal Reserve, also helped move the market from its session highs. In a news agency story released at 11am, he warned that the lack of official economic statistics caused by the government shutdown was creating a "serious hardship"

for monetary policymakers.

The dollar provided some support as it rose against the D-Mark and yen. In early trading it was changing hands at DM1.4415 and Y104.53 compared with DM1.4372 and Y103.92 late on Tuesday.

■ UK gilts continued to weaken yesterday on political concerns. There were reports that international investors were looking to reduce their exposure to the market because of worries about the impact of political uncertainty on sterling.

GOVERNMENT **BONDS**

With gllts underperforming the rest of Europe, the spread over Germany widened to about 166 basis points from 160 points on Tuesday. Mr Stuart Thompson, international economist at Nikko, expects the spread to reach 175 basis points before stabilising.

However, in his view, such

weakness in gilts is not justified. "The impact of politics has been overdone - the market has already discounted a Labour party victory and a Conservative minority government," he said. Mr Thomson added that

weakness in the economy, evidenced in yesterday's December purchasing managers' index, should lead to another cut in base rates, of about 25 basis points, by mid-February. On Liffe, the March long gilt future fell & to 110% in turnover of almost 31,000 contracts.

■ Hopes of further rate cuts and a soft D-Mark supported several European government bond markets. Ms Alison Cottrell, senior international economist at PaineWebber, said rate cuts were expected in France, Holland and Denmark 'Call money is slipping further in France," she said.

On the Matif, the March notional 10-year government bond rose 0.04 to 120.80 in relatively heavy volume of more than 87,000 contracts. Mr Graham McDevitt, senior

bond strategist at Paribas, said there was some speculation that the intervention rate, currently at 4.45 per cent, could be cut by 25 basis points today. In Italy, the bond market gave back most of Tuesday's gains as the debate about the

timing of the general election got under way. The German bond market was weighed down by the allo-cation of DM5bn worth of

Non-US companies raised \$12bn in the public and private markets, down from \$20bn in 1994 but equal to 1998. Most of the money was 10-year paper.

raised in the second half. European companies were the most active issuers, accounting for \$7.2bn of the total and taking over from Latin American and Asian issuers, which dominated the markets in 1993 and 1994. More than one-third of the issues were related to privatisations. Latin American issues

dropped after problems in the Mexican market in late 1994. Mr Kenneth Lopian, senior vice-president at Bank of New York, said that "there was unprecedented activity during the second half of 1995 as depositary receipt capital raising nearly doubled from the first six months. In 1996, we expect companies from Latin America and Asia to return to the US and Asia to return to

depositary

up by 37%

By Maggie Urry In New York

Trading in the US of

depositary receipts, which rep-

resent the shares of non-US companies, reached record lev-

els in 1995, according to fig-

ures from the Bank of New

Some 10bn shares were

traded, a 37 per cent increase

on 1994, with the dollar value

up 12 per cent to \$278bn.

receipts

York and Citibank

the US market for capital." He predicted European issues would equal those of 1995 and overall trading volume would rise 30 per cent.

Mr James Donovan, managing director at Citibank, said: "Issuers around the world are expressing keen interest in this market and the pipeline for 1996 looks strong." He also expected a number of large capital raisings, especially from Europe. "1996 could well be the year of the mega-deal for the ADR market," he pre-

US trade in Volatility fall hits European volumes

By Richard Lapper

Lower volatility in financial markets last year, especially compared with the first half of 1994, led to a decline in volume of roughly 13 per cent on the London International Financial Futures and Options Exchange (Liffe), Europe's largest derivatives exchange.

DERIVATIVE INSTRUMENTS

Europe's next two largest exchanges also saw lower turnover. On Matif, the Paris-based futures market, volumes con-tracted by 21.2 per cent to 71.09m lots, while on the Deutsche Terminbörse, the deriva-tives division of Frankfurt's Deutsche Börse, 58.18m contracts were traded, a drop of

On Liffe, overall volume amounted to 132.65m contracts, compared with 153.03m in 1994. Turnover of the long gilt futures contract fell by 27.6 per cent to 13.80m contracts. dropped by 25.49 per cent, contracts.

while volumes in the German 10-year bond future, the exchange's most popular con-tract, were down 13.67 per cent at 32.23m. Turnover of the FT-SE 100 Index future fell by 20.21 per cent to 3.37m.

However, there was an increase in volume of open interest, which settled at 3.77m contracts compared with 3.14m

at the end of 1994. Turnover of a number of smaller contracts also grew rapidly. Sales of the threemonth euro-Swiss contract and the Japanese government bond future grew by 76 per cent and 38 per cent respectively.

In Paris, Matif's biggest con tract, the 10-year notionnel government bond, showed the biggest fall, with volume down by 33 per cent to 33.61m. How ever, trading in the volatile three-month Pibor contract increased. Volumes of the Pibor future and option rose respectively by 17.5 per cent to 15.49m, and 37.3 per cent to 4.62m. In Frankfurt, futures volumes fell from 25.47m to 24.77m contracts. Options fell Trading in long gilt options from 33.74m to 33.41m

High-yielding countries top bond league table

By Antonia Sharpe

Europe's high-yielding government bond markets -Italy, Spain and Sweden - provided the best returns in local currency terms in December, of 2.85 per cent, 2.38 per cent and 2.09 per cent respectively. according to J.P. Morgan.

Italy's performance reflected investor confidence in the country's budget while in Spain there had been strong domestic buying of government bonds, Morgan said. Their gains contrasted with

per cent in the J.P. Morgan global bond index and 1.56 per cent in the European bond index. New Zealand and Japan were the only markets which posted negative returns in December, of 0.52 per cent and 1.21 per cent respectively.

In US dollar terms, Spain, France and Italy were the best performing markets in December with respective returns of 3.82 per cent, 3.76 per cent and 3.7 per cent. Morgan said the returns were based on their strong bond markets and continued appreciation of their

Jan 2 Yr. ago Jan 3 Jan 2 Yr. ago Jan 3 Jan 2 Yr. ago

1,27 3,32

8.70 8.71 8.71

7.11 7.83 7.88

1<u>.2</u>4 3.31

7.04 7.78 7.84

and the

97

6.97 7.70 7.79

Issuers in rush to start 1996 funding

By Conner Middelmann

The eurobond market exploded into action yesterday as borrowers rushed to get 1996 funding programmes under way. DePfa, the German public-

sector lending institution, launched DM1bn of five-year

INTERNATIONAL **BONDS**

eurobonds. There were no underwriting banks and the three book-runners, Commerzbank, CSFB Effectenbank and Société Générale, took the entire offering on their books.

"This structure has proved very successful with recent jumbo issues of Pfandbriefe and works if you have a group of banks that work well together," said DePfa's Mr Gerhard Bruckermann.

Nederlandse Waterschapsbank, a credit institute owned by the Dutch water boards,

DM500m of six-year bonds While the bonds yielded 16 basis points over the German government bond due September 2001 at the re-offer price, they yielded the same as the January 2002 Unity bond, which many players thought was too tight for an unrated, unknown issuer. Lead manager ABN Amro Hoare Govett reported demand from the Benelux region, however, where the borrower is well

known and is considered to have a triple-A rating. BNG, the Dutch municipal financing institute, brought DM300m of four-year bonds much less than the DM1bn five-year offering rumoured for weeks. At the smaller size, the issue was purely retail-targeted, lead ABN said.

Two more retail-targeted four-year deals, DM300m for GECC and DM250m for Bank Austria, came via BZW, as well as a four-year issue for Abbey National via BZW and Merrill

Borrower	Amount m.	Coupen %	Price	Meterity	Fees %	Spread bp	Book runner
us dollars SCAT-1, Class A-1(a)+1	1.552	(a.s)	100.00	Jan. 1997	0.05		Lehman Brothera
Saverische Vereinsbank	300	5.25	99.797FI	Feb.1999	0.1875A	+4/5/444-981	Partbas Capital Markets
Abbey Nati Treasury Services	300	6.375	99.822R	Jen.1999	0.1875R		HSSC/ Salomon Brother
2SL Bank	250	5.25	99.50FI	Fab.2000	0.225R	+30	SBC Warburg
laversiche Landesbenk	250	5.25	99.9B3R	Jan. 1999	0.1875R		SBC Warburg
Bectrobres(b)	50	10.00#	100.00F	Jan.1999	0.875FI		Salomon Brothers Intl.
-MARKS	-						
Beofa Finance	1bn	5.125	99.55R	Jan.2001	0.25R	+48(5%%-00)	Commerz/ CSFB/ SocGe
lederlandse Waterschansbank	500	5.375	99.95R	Feb.2002	0.275R	+16(8)4%-01)	ABN Armo Hoare Goveti
NG/s6	300	4.50	99.66R	Dec. 1999	0.225R	+7(7%-99)	ABN Amro Hoere Govet
ECC(s)	300	4.50	99.84R	Dec. 1999	0.225R	+5(7%-99)	B.de Zoete Wedd/Deutsc
Abbey Natl.Treasury Services	250	4,825	99.63R	Feb.2000	0.25R	+15(7%-00)	BZW/ Mentil Lynch Bank
Bank Austria(s)	250	4.50	99,84R	Dec.1999	0.225R	+5(7%-99)	8.da Zoete Wedd(Deutso
WISS FRANCS							
SüdwestLB Capital Markets	200	3.625	103.625	Feb.2001	200	•	Zürcher Kantonelbank
lenicel .	200	3.50	102.50	Feb.2001	2.00		SBC Warburg
lelaba Finance(c)	200	3.75	104.20	Dec.2000	2.00	-	Credit Suisse
ING(s)	150	2.50	101.00	Aug.1989	1.75	•	UBS
abo Australia*	150	2.50	101.50	Feb.1999	1.125	-	SBC Werburg
lationale kryesteringsbenkis)	125	3.25	102.90	Dec.1999	1.75		Credit Suisse
TALIAN LIRE							
Gingdom of Sweden	500	10.00	101.775	Feb.2001	1.875		IMI Bank Luxembourg
DANISH KRONER							
Prescher Bank Finance	400	6.875	102.114	Feb.2003	1.875	-	Kredietbank

redemption money freed when a DM250m Abbey National offering matures in February. The US dollar sector also saw a slew of short-dated retail-targeted deals, most of which were tightly priced albeit in line with outstanding

Two Bavarian banks, Bayer-ische Vereinsbank and Bayerische Landesbank, issued three-year bonds, with the former priced to yield four basis points over Treasuries and the latter three basis points below. Sweden returned to the lira

absence with L500bn of fiveyear bonds, spurred by attractive swap arbitrage and strong investor demand. European Investment Bank appears set to launch its longrumoured £400m 10-year bond early next week after banks

made its eurobond debut with Lynch, designed to catch	bonds issued late last year. market after a two-year	bid for the mandate yesterday. dicted. a local currency return of 1.02
WORLD BOND PRICES		
BENCHMARK GOVERNMENT BONDS	SUND FUTURES OPTIONS (LIFFE) 0M250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Dale Price change Yield ago ago	Strike	Price indices Ward Day's Tue Accrued xoladi, — Low coupon yield — — Medium o UK Gilits Jan 3 change % Jan 2 interest yid Jan 3 Jan 2 Yr. ago Jan 3 Ja
Australia 10,000 02/08 112,8600 +0,590 8,11 8,35 8,44 Austria 6,500 11/05 101,5000 +0,070 6,29 6,41 6,78 Belgium 6,500 03/05 99,7600 -0,030 5,68 8,76 8,84 Canada 8,750 12/05 111,7500 +0,240 7,08 7,27 7,51 Dermark 8,000 03/06 105,8800 +0,260 7,16 7,36 7,58	9990 0.56 0.86 0.73 1.04 0.40 0.70 1.25 1.56 10000 0.31 0.61 0.53 0.83 0.65 0.95 1.55 1.85 10060 0.16 0.42 0.38 0.66 1.00 1.26 1.90 2.18 Est. vol. total, Calls 16245 Puls 10560. Provious day's open int., Calls 152957 Puls 132680	1 Up to 5 years (23) 122.77 -0.16 122.97 1.96 0.12 5 yrs 7.01 6.95 8.69 7.04 6. 2 5-15 years (21) 149.83 -0.25 150.21 1.98 0.00 15 yrs 7.70 7.68 8.58 7.74 7. 3 Over 15 years (6) 185.88 -0.30 186.38 1.67 1.02 20 yrs 7.78 7.75 8.53 7.82 7. 4 Irredementables (6) 190.63 -0.40 191.39 1.35 0.00 Irred.† 7.89 7.86 8.59 5.54 All stocks (56) 144.48 -0.23 144.81 1.85 0.21
France BTAN 7.750 04/00 107.8750 +0.410 5.90 5.90 6.17 OAT 7.750 10/05 108.0500 -0.030 8.61 6.72 7.02	Italy II NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES	ladex-linked Jan 3 Jan 2 Yr. ago
Germany Bund 6.500 10/05 103.6400 -0.130 5.99 6.10 6.34	(LIFFE) Lira 200m 100ths of 100% Open Setz price Change High Low Est. vol Open int. Mar 109.15 108.82 -0.22 109.29 108.77 32578 53087 Jun 108.60 108.42 -0.22 108.60 108.60 69 1345	6 Up to 5 years (1) 196.85 -0.04 196.93 1.87 0.00 Up to 5 yrs 2.48 2.43 4.13 7 Over 5 years (11) 188.98 -0.07 188.11 0.80 0.00 Over 5 yrs 3.51 3.51 3.88 8 All stocks (12) 189.02 -0.07 189.15 0.82 0.00 Average gross redemption yields are shown shows. Coupon Bands: Low; 0%-74%: Medium: 8%-10%-%, Fight: 11% and over † Fist yield, yet Year to date
Netherlands 6.750 11/05 105.6400 -0.010 5.97 6.10 6.39 Portugal 11.875 02/05 113.0000 -0.150 9.86 9.87 10.67 Spain 10.150 01/06 103.0500 -0.110 9.56 9.74 10.51 Sweden 6.000 02/05 85.5830 +0.395 8.32 8.58 8.92 UK Gkts 8.000 12/00 104-07 -12/32 6.97 6.87 7.18 8.500 12/05 106-27 -14/32 7.51 7.53 7.76	## ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100% Strike CALLS	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDIC
9,000 10/08 110-27 -15/32 7.65 7.68 7.88 US Treasury 5,675 11/05 102-06 +9/32 5.58 5.73 5.95	10900 1.48 2.30 1.56 2.88 10950 1.24 2.08 1.82 3.15	Jan 3 Jan 2 Dec 28 Dec 27 Yr ago High" Low" Jan 2 Dec 2
6.875 06/25 152-18 +15/32 5.96 6.08 6.26 ECU (Franch Govd; 7.500 04/05 104.0700 40.110 6.88 7.05 7.39 London chang. New York mid-day 1 Gross proceding withholding last at 12.5 per cent parable by nonnecletable	Est. vol. total, Calls 2648 Puts 1862. Previous day's open Int., Calls 45238 Puts 31510 Spaint	Govt. Secs. (UK) 95.28 95.52 95.94 95.82 95.75 90.80 95.22 90.22 Gilt Edged bargains 71.7 28.6 Fixed interest 114.28 114.62 114.75 114.68 114.32 109.45 115.04 108.77 5-day average 48.7 47.6 for 1995/96. Government Securities high since compilation: 127.40 (61/1/35), law 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/34) , low 50.53 10/25 and Fixed Interest high since compilation: 133.87 (21/1/34) , low 50.53 10/25 and Fixed Interest high since compilation: 133.87 (21/1/34) , low 50.53
Prices: U.S. U.A. in 3Chds, others in detarral Source: MAIS International	NOTIONAL SPANISH BOND FUTURES (MEFF)	The same roof states of being present that
US INTEREST RATES	Open Sett price Change High Low Est, vol. Open Int. Mar 96.45 98.46 +0.09 96.67 96.18 50,867 45,645	FT/ISMA INTERNATIONAL BOND SERVICE
Latest Tracasury Bits and Bond Yields One worth	UK	Listed are the latest international bonds for which there is an adequate secondary market. Listest prices at 7:10 pm on January 3
	U 11	
	■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds at 100%	leased Bid Offer Chg. Yield Sauved Bid Offer Chg. Yield
Prime rate	Open Sett price Change High Low Est. vol. Open Int. Mar 110-18 110-05 -0-13 110-21 110-03 41651 135794 Jun - 109-19 -0-13 - 0 0 R LONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%	List DOLLAR STRANGHTS Sweden 8 97 Sweden 8 97 Store 107 1074 1.97 Abbey Nati Treasury 5 97 1000 1025 1026 1.48 1.4
Prime rate 81 two norm 517 Three year 5.21 Broker last rate 74 Three month 520 Five year 5.37 Fed hands 52 10-year 5.57	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRANGHTS 1000 69½ 595% 5.48 Under Kingdom 7½ 97
Prime rate 81, 1990 inform 517 Three year 5.21 Broker barn rate 74, Three month 520 Five year 5.37 Fed broks 55 St. month 52 10-year 5.57	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRANGETTS 1000 69½ 69½ 5.48 5.40 Volked Kingdom 7½ 97 5500 107 107½ 3.27 Abbey Natl Treasury 9 207 1000 102½ 102½ 14 6.32 World Bank 0 15 2000 29½ 29½ 25 6.32 World Bank 0 15 2000 29½ 29½ 25 6.33 Dommark 6½ 93 € 2000 107½ 107½ 107½ 107½ 107½ 107½ 107½ 107½
Prime rate	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRAIGHTS Sweden 8 97 2500 107 1074 197
Finder Islan 1349	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRANGHTS 1000 69½ 55% 5.48 United Kingdom 7½ 97 5500 105% 105% 3.65 Albony Natl Treasury 5 97 1000 1002% 1002
Finale Lists 1.3	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRANGHTS
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Strike Sat S	Open Sett price Change High Low Est. vol. Open Int.	U.S. DOLLAR STRANGHTS 1000 69½ 65½ 5.49 5.40 1007 107½ 105½ 105½ 3.65 105½ 105½ 3.65 105½
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Strain S	Open Sett price Change High Low Est. vol. Open Int.	U.S. DOLLAR STRANGETIS 1000 69 ¹ / ₂ 55 ² / ₃ 5.48 United Kingdom 7 ¹ / ₆ 97 5500 107 ¹ / ₄ 107 ¹ / ₄ 3.65 Althory Natl Treasury 5 97 1000 102 ² / ₅ 102 ² / ₆ 3.4 4.04 Volksangen int Fin 7 03 1000 105 ² / ₄ 105 ² / ₄ 3.65 Althory Natl Treasury 8 ¹ / ₄ 05 1000 107 ² / ₄ 107 ² / ₅ 3.6 United Kingdom 7 ¹ / ₆ 97 5500 105 ² / ₄ 3.65 Althory Natl Treasury 8 ¹ / ₄ 05 1000 107 ² / ₄ 107 ² / ₅ 3.6 United Kingdom 7 ¹ / ₆ 97 5500 105 ² / ₄ 105 ² / ₄ 3.65 Althory Natl Treasury 8 ¹ / ₄ 05 1000 107 ² / ₄ 107 ² / ₅ 3.6 United Kingdom 7 ¹ / ₆ 97 5500 105 ² / ₄ 105 ² / ₄ 3.6 Althory Natl Treasury 8 ¹ / ₄ 07 1000 107 ² / ₄ 107 ² / ₄ 3.6 United Kingdom 7 ¹ / ₆ 97 2000 29 ¹ / ₄ 29 ² / ₅ 4 ² / ₆ 6.3 Dominate 8 ¹ / ₄ 92 Converted Review 15 2000 29 ¹ / ₄ 29 ² / ₅ 4 ² / ₆ 6.3 Dominate 8 ¹ / ₄ 92 Converted Review 15 2000 200 ² / ₄ 29 ² / ₅ 4 ² / ₆ 6.3 Dominate 8 ¹ / ₄ 92 Converted Review 10 1000 105 ² / ₅ 105 ² / ₄ 4.5 5.7 Austria Big Bank 10 1000 100 ² / ₄ 100 ² / ₄
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State Stat	Open Sett price Change High Low Est. vol Open Int.	U.S. DOLLAR STRANGHTS 1000 69½ 55% 5.48 United Kingdom 7½ 97 5500 105% 105% 3.65 Althory Natl Treasury 5 57 1000 69½ 55% 5.48 United Kingdom 7½ 97 5500 105% 105% 3.65 Althory Natl Treasury 5 57 1000 100% 10
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ROTIONAL GERMAN BUND FUTURES (LIFFE) DMC50,000 100ths of 100%									NOTIO (LIFFE)				JAPANESE G	OVT. BOI	ND FUTURI	2S	<u>, </u>	_			
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CURRENCIES AND MONEY

MARKETS REPORT

Dollar and high-yielders continue to advance

By Philip Gawith

The early currency themes of 1996 were reinforced yesterday with the dollar making further advances against the yen and the D-Mark, while the German currency slipped back in

In the absence of official economic data in the US, and no deal on the budget, dollar optimism has more to do with developments in Europe and Japan. Whatever the reasons, the dollar was able to rise to its highest level in around four months against the yen, before closing in London at Y104.365. from Y103.965. It is within sight of Y104.70, the 1995 high. It was also firmer against the generally weaker D-Mark, gaining half a pfennig to close at DM1.4403, from DM1.4847.

In Europe, currencies like the French franc, Spanish peseta and Swedish krona made further advances against the D-Mark. The franc rose to an 18 month high of FFr3.4075,

before finishing at FFr3.413, yielding currencies, notwith-from FFr3.414. The krona standing fragile politics in closed at SKr4.579, from SKr4.617. The lira closed at L1,093, after reaching an intraday high of L1,088.2.

The D-Mark rallied off its lows amid market rumours that central banks in Italy, France, Spain and Portugal were taking advantage of domestic currency strength to rebuild their D-Mark reserves.

After falling overnight against the D-Mark, sterling gained more than a pfennig to reach DM2.2380 during New York trading, compared to a London close on Tuesday of DM2.2335. It lost half a cent against the dollar, finishing at \$1.5511, from \$1.5568.

The strength of the high-

countries like Italy, France and Spain, reflects the view that in the absence of much currency volatility, and apparent D-Mark weakness, it is a safe bet to invest in markets offering better returns.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said recent evidence of economic weakness in the US, such as the purchasing manager's report released ear lier this week, would offer further support to the high-yielders. He said evidence which indicated that the US may cut rates again would support a similar move in Germany, where the economy is widely seen to be suffering from an overvalued currency.

This would remove the main obstacle to buying the high-yielders, which is the fear that Germany may raise rates Mr Persaud said it was "very dangerous to bet against this

Against the Yen (¥ per \$) 105 -

trend at the moment." but already sceptical voices can be heard. Mr Chris Turner, currency strategist at BZW in London, said: "There must come a point when slow growth in Europe stops being a positive for these currencies.

1995

1994

He predicted that it would cause problems for countries trying to meet Maastricht budget deficit criteria, predicting

that the French franc could February/March. run into trouble later in the

■ One of the early, if familiar, themes to emerge in 1996 concerns Japanese capital flows. Amid yen weakness, low Japanese interest rates, and the perceived need of Japanese investors to boost returns, there is much speculation about where they will put their money. Recent strength in the Canadian and Australian dollars has been attributed to the expectation of Japanese capital

Ms Patricia Elbaz, technical analyst at MMS in London, says the next target for the dollar is Y105.5, the June 1994 peak, with the medium term objective of Y110.

But Mr Turner said he was suspicious about the durability of the dollar's current rally against the yen, saying that a large part of it could be attributed to seasonal factors which might well reverse in

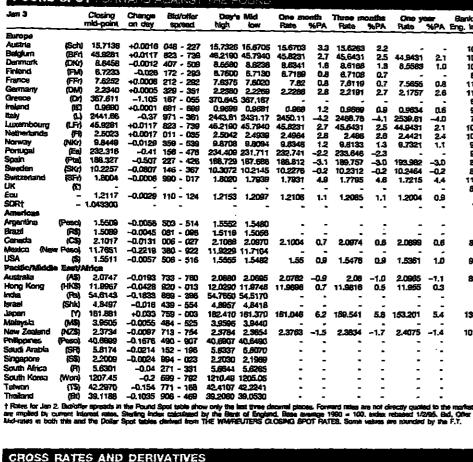
Further out, the dollar may receive support from Japanese economic recovery which would pull in imports, crimping the trade surplus and encouraging capital outflows all dollar positive.

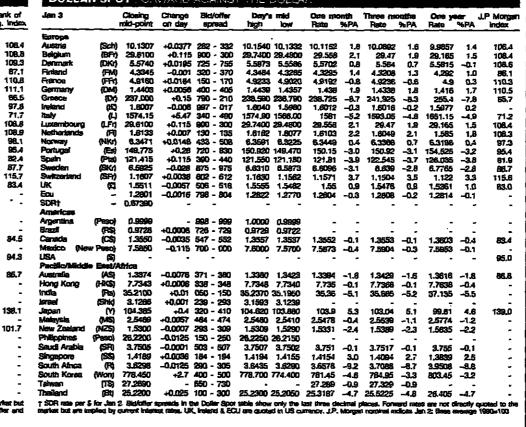
But Mr Turner said a turnaround in the Japanese economy could also bring with it the expectation of higher interest rates. If Japan leads other industrial countries in tightening policy, this could attract renewed capital flows back into Japan, boosting the yen.

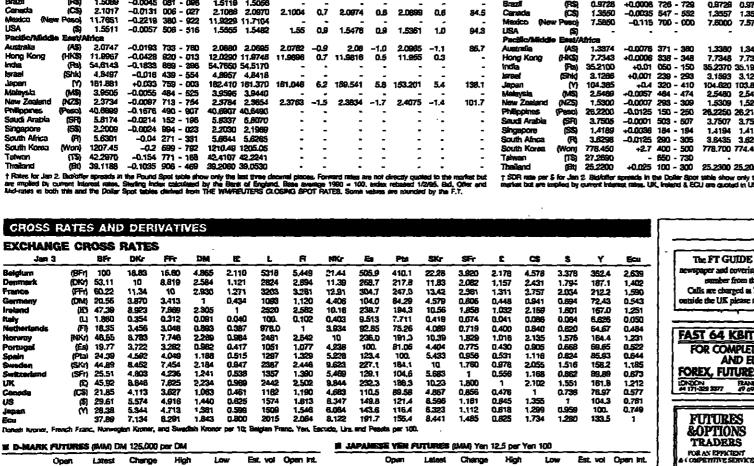
Recent moves in the Euroyen contracts show that the marke has already started to price in some tightening in interest rates - which was not the case only a few weeks ago.

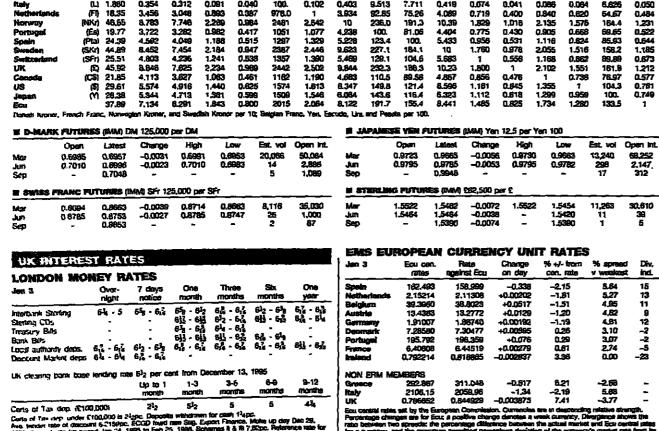
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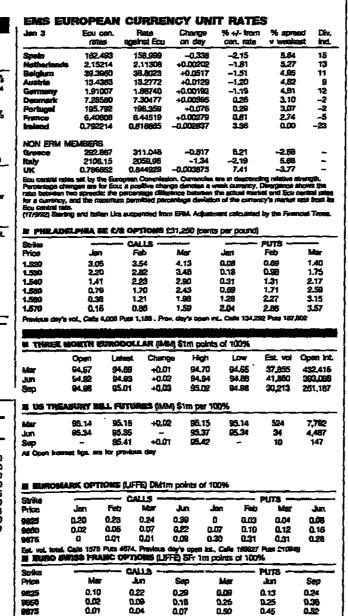


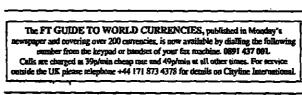




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Limited Dividend #16 of 10 cents (U.S.) a share, is payable January 23, 1996 to shareholders of record January 9, 1996.

of January, 1996. Barry Landen Secretary

Dated this 5th day



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LONDON STOCK EXCHANGE

MARKET REPORT

Bid hopes and Wall St drive Footsie to new record

London's equity market was one of a host of European markets to hit all-time highs yesterday, with the two main indices, the FT-SE 100 and the FT-SE Actuaries All-Share index both recording new peaks. The FT-SE future, too, closed at an all-time high, while the FT-SE Mid 250 index hit its best level for almost two years.

At the close, the FT-SE 100 was 27.7 firmer at 3,715.6, while the All-Share was up 12.18 points at 1,815.96. The Mid 250 index was finally 17 points ahead at 4,053.9. The main driving force behind the

gains in London came from Wall Street, where the Dow Jones Industrial Average, after surging over 60 points on Tuesday evening, raced ahead again at the outset of trading yesterday, breaking through the 5.200 level. An hour after London closed for business, the Dow was around 20 points higher.

Another powerful bull story said to be encouraging buyers into UK equities was that a fresh batch of mergers and bids could be about to emerge in London. Last year saw bids and mergers worth almost £41bn in the UK. "The institutions won't sell the market while all these bid rumours are doing the rounds," said one senior marketma-

ker. Among the rumoured hid targets are Asda, GRE, Sedgwick, Rexam and Aberdeen Trust, he said. And HSBC was rumoured to be about to acquire on the larger UK building societies

A late story circulating in the City was that an increased offer for Forte, the hotels and leisure group, would be announced either this morning or tomorrow. Rumours suggested that Granada would increase its offer from just below 330p to 370p in cash, a level which some leisure specialists could win the day for Granada.

Wall Street's spectacular gain overnight, in response to a wave of New Year buying and hopes that political uncertainties in the UK,

the US budget wrangle would soon could unsettle gilts, which would be resolved, ensured a strong opening for London.

The market's concerns on Tuesday over the possibility that the Conservative Government might be forced into a premature general election this year began to fade into the background, as dealers focused instead on the potential positives of such an event. Some observers pointed out that an early general election would hasten the Govern-ment's interest cutting policies; Rate cuts sooner than later have to be seen as good news for the mar-

ket," said one trader. He conceded, however, that the

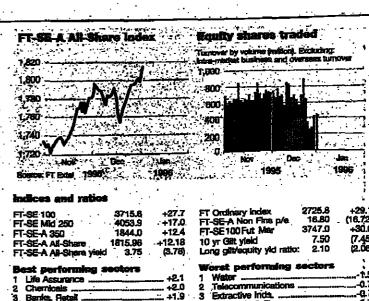
restrain enthusiasm for equities. Footsie powered through the 3,700 level at the outset of trading and

be restricted by low attendances.

some keen activity in banking and telecom shares.

was always comfortably above that level throughout a busy session, which saw turnover at 6pm reach an impressive 734.9m shares, well ahead of Tuesday's 450.9m. Dealers had expected trading this week to Turnover was boosted by a large placing of National Grid stock, and

At its best, shortly after Wall Street opened for business, the FT-SE 100 reached a peak of 8,719.8, before falling back on profit-taking.



Granada 'to raise Forte bid'

The late afternoon rumour mill settled on Granada Group as word went round the market that it was lining up an improved offer for its bid target Forte which may come as early as today.

Dealers suggested the overall takeover price would be improved by between 10 and 15 per cent, with the cash offer likely to be raised to between 360p and 370p a share against 328p a share, at yesterday's closing price in Granada.

The group's shares had moved strongly ahead early in the session as doubts about Granada's ability to win the bid battle emerged. However, the stock came off the top following the late afternoon rumours to close 71/2 ahead at 649%p. in trade of 2.6m. A two-way pull in Forte left the shares unchanged at 343p. though heavy dealing brought volume to 9m by the close.

Forte's battle to escape the clutches of Granada exacted a heavy toll on Savoy "A". The shares lost more than 10 per cent of their value, as they fell 108 to 940p. Forte plans to distribute its 68 per cent equity holding to investors as part of its bid defence, a move seen as ending hopes of the holding being sold to a single buyer.

Waters slushy

Water stocks damped down the broad market's rise as they fell on a combination of political and regulatory worries.

Dealers said the latest pressure from the regulator was combined with some bad press over the latest spate of burst

	Jan 3	Jan 2	Dec 29	Dec 28	Dec 27	Yr ago	1High	"Ligw
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P/E ratio net	16,15	15.96	15.95	15.89	15.86	17.71	21.33	15.35
P/E ratio nil	15.95	15.75	15.75	15.69	15.66	17.15	22.21	15.17
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Total Falls _	346	Total Lows	27	Casts	81,8
Sampe ,	1.445	1		Pusa	20.0

There are also concerns that a general election might be closer than previously forecast in the light of the most recent defection from the Conservative party. The selling was exacerbated by one marketmaker trying to unwind a surplus of stock and fund managers taking early asset allocation

ABN Amro Hoare Govett stressed its sell stance on Thames Water, off 5 at 549p, United Utilities, off 15 at 594p, Wessex, off a penny at 338p and South West, off 5 at 516p. Takeover speculation in Royal Bank of Scotland

ensured that the shares managed to avoid the impact of a downgrade from Morgan Stanley. The stock rose 6 to 588p. Hong Kong-related stocks jumped in response to sharp gains in the Far Eastern market. HSBC, which has started to make markets in UK equities through its James Capel

dard Chartered, long seen as a tac is set to lose its spot as the potential takeover candidate, improved 16 to 577p. And Cable & Wireless avoided the nervousness in the telecoms market to improve 2 to 462p.

Other telecom stocks were less fortunate. The nervousness surrounding the latest subscriber figures from Vodafone and Cellnet still overhung the market. Vodafone fell 5 to 221p. BT. the majority owner of Cellnet, dropped 2 to 350p.

Zeneca bucked a weak pharmaceuticals sector with a rise of 11 to 1263p, after it received US clearance to market its Arimidex treatment for advanced breast cancer in postmenopausal women.

Other drugs stocks were easier as BZW, the investment bank, put out a piece of research arguing that the sec tor was overvalued. Glaxo Wellcome fell 2 to 902p. The company was highlighted by Lehman Brothers because its anti-ulcer treatment drug Zan-

arm. lifted 18 to 1001p. Stan-LONDON RECENT ISSUES: EQUITIES

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world's top-selling drug to Astra's Losec. SmithKline Beecham dipped 11/2 to 7101/2p.

and packaging group, rose 19 to 379p on speculation that ICI moved up 32 to 797p after James Capel switched from a

sell to a hold on the stock. The

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National Grid was heavily traded with volume boosted by one company selling the last of the shares it acquired after taking over one of the regional electricity companies. Dealers believed that CSW

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4070.0 +15.0 was trying to place 20m shares of the stake acquired when the ■ FT-SE 100 INDEX OPTION (LIFFE) (3716) \$10 per full index point US company bought Seeboard. 2550 3600 3650 3700
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FUTURES AND OPTIONS

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A Successful Alliance

The Board of Directors of SODEXHO met under the chairman f Pierre BELLON to close the accounts for the year 1995. The year's most important event was the alliance with GARDNER MERCHANT, which transformed SODEXHO into the world's largest food services group.

1 - GENERAL INFORMATION

In nine months, major strides have been made in building the alliance, A great deal of synergy and cross fertilization has been developed in the areas of human resources, marketing and information systems. Revenues by geographic area



During the year, Sodexho maintained its strong growth momentum

with a large number of new contracts: Contract Food and Management Services: Société Générale's new headquarters building in the Paris La Défense business district; Huddersfield University in the UK: Arizona State Hospital, Phoenix in the United States: Deutsche Telekom in Germany: and Banco de Chile in Santiago, Chile. note Site Management: Ten Pemex offshore oil platforms in Mexico and the Chek Lap Kok airport construction site, the world's largest infrastructure project. Service Vonchers: Fondation de France, Hewlett Packard in Italy, Nestlé

in Colombia and Grupo Pular in Venezuela. Leisure Services: The river cruises business enjoyed satisfactory growth. Gardner Merchant's event catering teams were awarded the food service contract for the Eurostar high-speed train and provided service pac-kages for a large number of prestigious events, such as the Wimbledon tennis tournament, the Saint Andrews Open Golf Championship, the Silverstone Grand Prix and the Chelsea flower show.

II - FINANCIAL RESULTS

Revenues increased by 63.3% over the year to FRF 18.348.038.001. broken down as follows: Consolidation of Gardner Merchant (7 months) Sodexho - Internal growth

Acquisitions excluding Gardner Merchant

29.EE 2874(2571

to 115,669,

Operating profit rose by 122%, with the seven-month consolidation of Gardner Merchant contributing 85%. The remaining 37% was driven by a variety of organic factors. Consolidated net income totaled FRF 284.412.000, representing an increase of 39% compared with prior-year net income, as adjusted to eliminate non-recurrent items and the renewed consolidation of Aurore International. Shares outstanding increased by 36 % during the year (to 6.994.273 from 5.140,507 in fiscal 1994) due primarily to the share issue in March 1995. Nevertheless, this did not dilute earnings per share (adjusted for non-recurrent items and the renewed consolidation of Aurore International), which rose to FRF 40.66 from FRF 39.84.

The Board is asking shareholders to approve the payment of a dividend excluding tax credit of FRF 22 per share, unchanged from last year. Payout, on the other hand, would increase by 36% to FRF 153.874,000, or 54% of consolidated net income.

III - BOARD OF DIRECTORS

To enhance the role of the Board of Directors, Pierre BELLON will ask shareholders at their February 13, 1996 Annual Meeting to approve an increase in the number of directors from 8 to 12. by electing the following persons to the new seats: Garry HAWKES. Directeur Général of Sodexho and Chairman and Chief Executive of Gardner Merchant Paul JEANBART. Managing Director and Directeur Général of Groupe Rolaco, François PERIGOT, former Chairman of Unilever France and Chairman of Union des Entrepreneurs d'Europe: and Édouard de ROYERE, former Chairman

IV - OUTLOOK

The Board of Directors approved the finalization of Sodexho's acquisition of a minority equity interest in PARTENA. Sweden's leading contract services company. PARTENA has some SEK 3.5 billion (FRF 2.6 billion) in sales in Sweden and Norway and employs 14,000 peoples. It is organized into four divisions: food services (36% of sales), security (25%), cleaning (21%) and lifecare services (18%).

The Board also discussed the Group's future prospects, which remain favorable. At comparable exchange rates, sales in fiscal 1996 should expand by around 30% from the FRF 18.348,038.000 reported in fiscal 1995. Excluding extraordinary items, consolidated net earnings after minority interests should reach FRF 360 million, or growth of more than 25%.

All of our businesses enjoy strong potential for growth. Our independence, our global reach, the quality of our teams, and our extellent ancial position all provide us with important competitive advantages. The Group's outlook is favorable and we foresee steady growth in sales and earnings over the next five years.

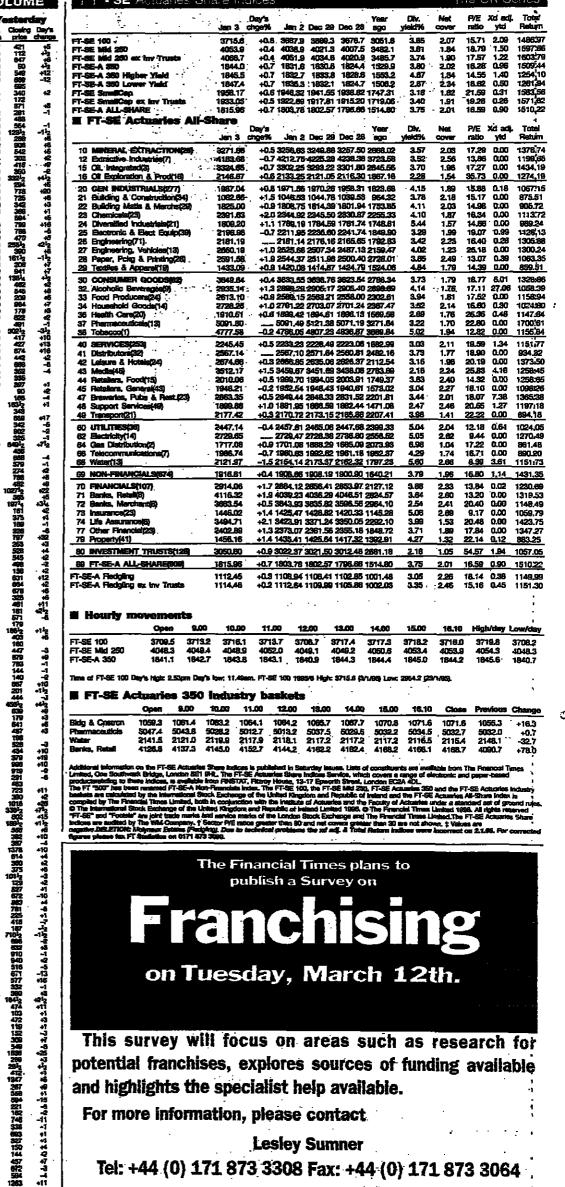


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The Financial Times plans to publish a Survey on

Franchising

on Tuesday, March 12th.

This survey will focus on areas such as research for potential franchises, explores sources of funding available and highlights the specialist help available.

For more information, please contact

Lesley Sumner

Tel: +44 (0) 171 873 3308 Fax: +44 (0) 171 873 3064

FT Surveys

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AMEX COMPOSITE PRICES

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E 108. 1890 LOW Lest Gauge 0.33 21 1635 040¹4, 29⁵2, 40 - ¹2 1.20 12 304 45¹4, 45¹4, 45¹2, -¹4 0.20 33 20 8¹8, 8¹4, 8¹4, -¹2 19 50 24¹2 22¹4, 22¹4, -¹2 13 3946 19 18¹4, 18³9, -¹4, 75 1114 10 9⁵8, 9⁷8, -¹8 175 564 1⁷8, 1³8, 1³4, -¹8 19 625 12³4, 12³8, 12³12, +³8 22 913 115¹14, 29¹2 21³14, +1³4, 0.20 10 79 4 3⁷4, 4 ** Contage > 0.06 9 24 11½ 10¾ 11½ 4½ ** Camman Cp + 0.44 12 480 11½ 107g 107g 17g ** Camban Cp + 0.44 12 480 11½ 107g 107g 17g ** Camban Cp + 0.45 15 695 29¾ 28 28½ 4½ ** Camban Cp + 0.45 15 695 29¾ 28 28½ 4½ ** Camban Cp + 0.45 12¼ 12¼ 12½ ** Camban Cp + 0.45 12½ 25 25 25 14 ** Camban Cp + 0.45 12½ 1½ 1½ ** Camban Cp + 0.45 12½ 1½ 1½ ** Camban Cp + 0.45 12½ 1½ 1½ ** Comman Cp + 0.45 12½ 1½ 1½ ** Comman Cp + 0.45 12½ 1½ 1½ ** Comman Cp + 0.45 12½ 1½ ** Comman Cp + 0.45 12½ 1½ ** Comman Cp + 0.45 12½ ** Camban Cp + 0.45 12½ Rainbow Railys Raymond RCSB Fin Read-Pibe 18 598 22¹g 21¹2 21⁵8 - 2 0 140 12 132 12 12 12 1311 122¹2 23 23¹8 | Dionex Co | 22 | 913 u 51 \(^1_4\) | 28 \(^1_2\) | 31 \(^1_4\) | 1 \(^1_4\) | Diobe from | 0.20 10 | 79 | 4 | 37 | 4 | | DIMA Plant | 225 | 1 1042 | 1 | 7 | 1 | | Dollar Gn | 0.20 18 | 170 | 21 \(^1_4\) | 20 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 21 \(^1_4\) | 23 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 \(^1_4\) | 33 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AMERICA

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Dow through 5,200, tech stocks retreat

Wall Street

US share prices were mixed in midday trading yesterday as technology stocks in the Nasdaq composite gave back some of Tuesday's gains while the Standard and Poor's 500 took aim at a new record high close. writes Lisa Bransten in New

At 1pm the S&P was 1.83 ahead at 622.56, higher than the all-time closing high of 621.19 set on December 13. The Dow Jones Industrial Average was 24.93 stronger at 5.202.38. breaking through the 5.200point level for the first time since the Dow's high of 5,216.47, also on December 13. The American Stock Exchange composite climbed 0.58 at 551.80. NYSE volume was 276m

Shares derived some support from bonds, which rose modestly on hopes that the White House and the Congress were moving closer to an agreement on a plan to balance the federal budget by 2002. President Bill Clinton was scheduled to meet Congressional leaders at 1:30 pm for another round of

tor companies continued to skid from the highs reached in the early autumn. The Nasdaq composite fell 7.09 to 1,051.56 and the Pacific Stock Exchange index of technology companies shed more than 1 per cent.

Falling semiconductor shares included Applied Materials, off \$3% or 8 per cent at 36%, Lam Research, which shed \$4% at \$41%, and Novellus Systems, \$31/4 lower at \$481/4. By the early afternoon, Applied Materials was the most actively traded share on the Nasdaq market. On the NYSE, Micron Technology shed \$1% at \$39% and LSI Logic was \$1% down at\$31%.

Elsewhere, Johnson & Johnson added \$3% or 4 per cent at \$87% on news that the Food and Drug Administration had agreed to allow the company to market its Renova cream as a prescription wrinkle-fighting

Westinghouse Electric added \$1 or 6 per cent to \$18% after announcing that Northrop Grumman had agreed to buy its defence and electronic systems businesses for \$3bn in cash. Northrop Grumman shares fell \$2 or 3 per cent at

Toronto continued to drive ahead in midday trade after Tuesday's record close.

The TSE-300 composite index was 39.78 higher by noon at 4,807.60; volume picked up to 40.2m shares. The uplift was supported by gold shares, responding to a sharply higher bullion price. Franco-Nevada Mining rose CS1 to CSS1 while among the most actively traded stocks,

C\$10% Biovail International shares continued to rally after shareholders' approval, on Tuesday, of plans for a three-for-one stock split. Shares in Biovail rose C\$6%

TVX Gold was C\$% higher at

SOUTH AFRICA Johannesburg climbed to an all-time record close on strong fundamentals in industrials, firmer world markets and a surge in golds after a \$6 rise in the bullion price. The overall index jumped 156.8 or 2.5 per

cent to 6,407.5, industrials put

on 186.7 to 8,195.6 and golds

to SFr360.

Data ignored as several bourses peak

Wall Street, D-Mark weakness the session and peaked at and New Year buying took sev-2,335.53 after hours before closand New Year buying took several bourses to all time highs, writes Our Markets Staff. Traders seemed willing to ignore bad macroeconomic news, including disappointing German industrial output and engineering orders, and poor car registration figures from

France and Belgium. With bond yields trending down and very few corporate results on the calendar, Mr François Langlade-Demoyen. European strategist at CS First Boston, saw the uncomfortable prospect of bourses hitting their 1996 targets in the first two months of this year. ZURICH marched 2.6 per

cent higher, registering another all time high. The SMI index climbed 86.8 to 3,384.5, as the market also caught up with the positive trend elsewhere in Europe and the US last Friday and on Tuesday, when Zurich was closed for an extended New Year holiday.

Pharmaceuticals were in the spotlight. Roche certificates climbed SFr200 to SFr9.325 while the registered shares of Sandoz and Ciba each picked up SFr34, or more than 3 per cent to SFr1,090 and SFr1,049 respectively. Financials also put in a strong performance, Zurich Insurance rising SFr15

FRANKFURT registered a Dax closing high of 2,329.22 on

ing 18.48 higher at 2,326.18. Turnover more than doubled, from DM4.9hn to DM11bn.

with Daimler and Siemens trading in DM1,22bn, and DM1.11bn respectively. The day's share price winners mixed recovery prospects Deutsche Babcock, Kaufhof, Thyssen - with stocks at or near new 1995/96 highs, including Bayer, BASF, Volkswagen and Munich Re, VW putting on DM7.15 at DM492.50 after its Czech subsidiary, Skoda,

1995 car output AMSTERDAM touched 500 briefly during the session before the AEX index closed the day with a rise of 4.17 to

announced a 20 per cent rise in

Good turnover supported the rise in prices and there was strong interest from overseas institutions, particularly the US, said brokers, adding that investors seemed to be buying the market, rather than individual issues.

to outperform the AEX index this year, although they did not anticipate the gains that were seen during 1995. Last year the financial sector was the strongest performer, with a a return of 40 per cent in local currency terms against an AEX gain of 17.1 per cent.

Analysts expected financials

FT-SE Actuaries Share Indices THE EUROPEAN SERIES 14.00 15.00 Close Open 10.30 11.00 12.00 13.00 FT-SE Aurotack 200 1626.49 1626.15 1627.95 1628.90 1628.35 1626.12 1630.36 1630.09 Dec 27 Dec 22. Jan 2 Bear 1000 (2010/00): Hetaline 100 - 1616 14: 200 - 1630 18

seen from Philips, up Fl 2.10 at F161.50. Unilever with a rise of F12.70 at F1231.50 and Royal Dutch up F1 2.00 at F1 227.80. Heineken made F13.10 to F1293.90 as dealers said that

the stock was undervalued. PARIS was a strong market but turnover remained below average. The CAC-40 index rose 34.58 or 1.8 per cent to 1,942.96 in turnover of under

The franc hit an 18-month high against the D-Mark as investors switched into other European currencies and the US dollar. Cyclicals were popu-lar: Schneider, the electrical engineering group, saw a rise of FFr9.60 or 5.5 per cent to FFr177.8, and Saint-Gobain, the glass maker, added FFr29 or 4.8 per cent to FFr581.

BRUSSELS continued its record breaking run, the Bel-20 index setting a new closing high up 24.74 or 1.6 per cent at 1,600.68. The intra-session high was 1,605.86 as turnover reached BFr4.5bn.

was Electrabel, the energy utility, which advanced BFr120 to BFr7,250 in turnover of BFr445m. In chemicals Solvay rose BFr225 to BFr16.375.

MILAN was unable to hold

on to its best levels of the day after news that the centre-right coalition had muddied the political waters once again by pressing for the resignation of the prime minister. Mr Lamberto Dini. The Comit index added 6.11 to 601.04, regaining the 800 point level for the first time since mid-October, while the real-time Mibtel index turned back from a high of 9 621 to finish 23 ahead at 9.553. Telecommunications issues traditionally favourites with

foreigners, continued to find buyers. Tim rose L41 to L2,841 and Stet was L73 higher at L4.624. Ferruzzi gave up L14 to L1030 with investors unwilling to commit fresh funds until details of Mediobanca's pct bid were known.

MADRID broke briefly

the general index subsided to end 2.98 higher at a new all time high of 338.01, propelled by the strength of bonds, and the peseta. DUBLIN held more of its gains, the ISEQ overall index closing 35.84 higher at a

new peak of 2,270.45. OSLO was at an all time high, fuelled by a strong performance by shipping and industrial shares, the latter led by the oil-heavy Norsk Hydro. The Total index rose 14.67 to 757.90 as Hydro picked up NEr6.50 to NKr278.50.

STOCKHOLM found strong demand for the forestry sector, in spite of news that Weyerhaeuser in the US had cut pulp prices. The Affarsvärlden index rose 25.8 to 1,785.0

HELSINKI's new year rally gathered pace with the Hex index rising 42.60 to 1,794.78 in volume that picked up to FM437m, almost half of it in Nokia. Shares in the telecommunications group rose FM6.50 to FM181.50.

COPENHAGEN saw keen demand from domestic and foreign buyers which pushed the KFX top-20 index up 1.94 to 109.15. Tele Danmark, part of a consortium bidding for Polish mobile telephone licences, picked up DKr5 to DKr312.

Written and edited by William Cochrane, Michael Morgan and

Latin America in strong rally

Mexico's stock market broke through the Argentina, up 8.1 per cent, Transportadora Gas 3,000-point level for the first time in its history del Sur, a gas distributor, up 6.8 per cent and during the morning, before profit-taking brought it back. By midsession the IPC index was up 66.02 or 2.2 per cent at 2,995.45. investors were generally encouraged by the fall in domes-

BUENOS AIRES soared 4.4 per cent at the opening as international investors turned heavy buyers of stock. The Merval index continued to make gains as the session progressed, and by midsession was up 27.77 or 5.1 per cent at 568.49. Among the top gainers were Telefonica de del Sur, a gas distributor, up 6.8 per cent and YPF, the oil group, up 6.7 per cent. SAO PAULO was not left out of the region's

advance. At the opening the Bovespa index jumped 5 per cent with Telebras, the telecom group, spearheading the rise. The index remained strong by midsession when the rise measured 2.872.50 or 6.5 per cent to 46,773. Analysts said that investors were hop-

ing for a fall in interest rates. Telebras preferred shares surged 5.9 per cent

EME	rging h	IARKETS:	IFC WEE	KLY INVEST	ABLE PRIC	E INDICES	<u> </u>
			Dollar terms			ocal currency	
Market	No. of stocks	Dec. 29 1995	% Change over week	% Change on Dec '94	Dec. 29 1995	% Change over week	% Change on Dec '94
Latin America	(251)	471.70	-1.5	-18.7			
Argentina	(30)	800.94	-0.6	+9.1	491,412.73	-0.6	+9.0
Brazil	(71)	305,30	-1.0	-20.6	1,110.30	-0.7	-8.9
Chile	(36)	748,49	-1.5	-4.6	1,219.69	-1.5	-3.3
Colombia ¹	(16)	598.06	+0.6	-26.3	1,049.45	+1.3	-12.2
Mexico	(67)	453.19	-2.9	-25.5	1,505.70	-0.7	+16.6
Peru²	(19)	197.23	-0.4	+10.6	277.74	-0.2	+16.8
Venezuela³	(12)	334.36	-0.5	-32,4	2,610.17	+2.4	+35.0
Asla	(877)	232.18	-0.0	-6.9	•		
China*	(20)	54.10	+1.2	-28.7	56.83	+1,2	-29.8
South Koreas	(159)	125.93	-1.3	-7.9	128.41	-0.9	-9.4
Philippines	(25)	259.55	+2.1	-12.9	328.88	+2.0	-6.4
Taiwan, China	(93)	112.77	+1.2	-31.4	115.54	+1.2	-28.8
ndia ⁷	ต่อกำ	80.36	-0.5	-34.9	100.37	+0.0	-27.1
ndonesia*	(42)	109.68	-1.6	+9.9	136.26	-1.7	+14.4
vlalavsla	(114)	271.16	+0.0	+0.9	254.10	+0.0	+0.3
Pakistan ^e	(36)	242.64	+2.4	-33.7	377.01	+2.4	-26.3
Sri Lanka ¹⁰	(19)	104.07	+0.9	-39.5	120.89	+0.9	-34.8
Thailand	(68)	375.83	-0.8	-2.0	375.92	-0.7	-1.7
Euro/Mid East	(208)	141.63	-1.3	+19.5	0.0.0		
Greece	(40)	241.55	+2.1	+7.0	387.02	+1.4	+5.3
Hungary ⁿ	(5)	98.42	+0.3	-35.1	161.81	+0.3	-21.7
lordan	(8)	184.68	-0.2	+23.1	275.63	-0.2	+24.0
Poland [®]	(6) (8)	426.35	-0.7	-9.2	882.07	-1.0	-8.7
ortugal	(26)	115.76	+1.7	-4.4	118.87	+0.8	-10.3
South Africate	(64)	258.05	-0.7	+14.8	194.25	-1.2	+2.7
Furkey ^u	(44)	104.49	-11.1	-14.2	2,989.15	-5.4	+35.1
i uskey Zimbabwe ^{ra}	(5)	274.67	+0.7	+12.3	377.05	+0.7	+25.1
Zimbabwe* Composite	(1136)	275.79	-0.9	-10.3	311.00	70.7	TEST

Overseas institutions purchased a record amount of South African stocks and bonds in 1995, worth R6.68bn (\$1.84bn), Reuters reports from Johannesburg. The stock exchange said yesterday that foreign investors had bought R4.81bn worth of shares and R1.87bn worth of bonds, compared with a respective R185m and R1.10bn in 1994.

Mr Roy Andersen, president of the exchange, said that foreign turnover now accounted for 51 per cent of the total. Until 1993 South Africa experienced large capital outflows. but this started to reverse following the election of President Nelson Mandela, while foreign inflows accelerated on the abolition of the two-tier currency system last year. Most analysts are confident that foreign interest will continue this year, and many argue that the country should benefit from a worldwide trend back to high-yielding

Analysis expect a current account deficit of between R11bn to R12bn in 1995, climbing further this year, and reflecting increased imports fuelled by higher fixed investment by industry and increased private consumption expenditure. The shortfall in 1994 was

Mr Chris Stals, governor of the reserve bank, remains sanguine about the current account deficit, saying that it remains modest by international standards, at under 3 per cent of GDP. "It is possible that the current account deficit will increase further, but the net capital inflows should also continue." he said recently.

143.16 171.70 131.81 131.70 156.99 153.09 104.68 251.14 112.57 148.47

135,80 139,87 122,94 122,94 292,68 389,50 191,49 225,14 56,23 88,32 114,66 101,02 360,05 472,43 815,65 9206,44

289 71 125.08

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The FT/SSP Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co., and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Indices.

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FT/S&P ACTUARIES WORLD INDICES

Dollar Dollar

Pound Sterling Index

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines

of stock

Canada (101)... Denmark (33)...

New Zestond (19).....

United Kingd USA (639)

Americas (786) .

Region propelled by surge on Wall Street

propelled regional markets higher in the continuing absence of Tokyo and with Taipei also closed for a public

holiday. HONG KONG jumped 1.9 per cent to a 22-month closing high, with brokers pointing to a renewed funds inflow at the start of the year pushing most The Hang Seng index rose

192.57 to 10,398.44 in turnover that shot up to HK\$5.8bn from Tuesday's HK\$3.5bn. Recent market leaders again stood out. Cheung Kong soared

HK\$1.30 to HK\$49.50 and its affiliate, Hutchison, leapt HK\$1.50 to HK\$49.70 after it announced that it was buying back a 25 per cent stake in its telepaging operations from Motorola. SYDNEY's enthusiasm took

turnover back to pre-Christmas levels as the All Ordinaries index rose 31.7 to 2258.1. Traders reported share price rises across the board as total volume hit 205.8m shares val-

ued at A\$517.35m. Industrials to feature oper Lend Lease, reached record highs with a gain of 38 cents to A\$20.11 on scarcity value; and Biota Holdings, up 28 cents, or 14 per cent to AS2.28 on expectations of an

SINGAPORE saw renewed local and foreign demand for industrials, banks and property stocks which pushed the market 2.1 per cent up to its best

influenza vaccine announce-

level since November 1994. The Straits Times Industrials index rose 48.14 to 2.306.21 as investors were also encouraged by the prime minister's new year message that the Singapore economy grew by 8.9 per cent in 1995 against earlier government forecast of between 8

KUALA LUMPUR was pushed 2.7 per cent higher on buying of index-linked stocks by foreign funds and the composite index rose 26.93 to 1.020.11 in volume that swelled to 289.6m shares from Tues-

Local Currency 52 week 52 week Index High Low

141,41 169,91 191,93 129,87 129,79 199,28 155 63 151,78 210,47 102,64 246,78 161,51 110,46 146,60 150,93 214,88 217,65 295,99 139,20 170,48 276,11 133,50 137,63 191,17 121,81 121,81 167,74 283,50 384,87 392,39 190,14 224,62 260,67 54,85 67,33 62,79 115,29 101,02 164,82 361,00 474,39 561,96 770,74 8725,66 140,61

770.74 8725.65 1408.10 202.94 199.54 276.74 59.27 64.69 85.49 172.10 198.34 243.79 307.03 307.03 352.04 122.92 151.63 167.69 232.24 308.20 321.89 175.60 168.35 235.99 125.21 184.51 184.55 177.55 220.15 231.28 185.96 231.29 231.29

192.47 230.78 149.47 189.90 202.38 1 84 205.23 233.74 285.02 22 122.95 111.37 171.57 145 132.92 133.62 185.69 182.23 244.24 134.27

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181,47 123,91 166,67 113,81 199,72 136,37 131,71 69,94 141,75 96,79

141.73 %5.79 275.76 183.29 178.54 121.98 171.32 116.99 156.32 106.74 370.23 252.60 244.00 165.61 70.33 48.06 147.95 101.02 463.27 316.34

989.10 675.38 250.43 177.83 76.07 51.94 220.86 150.81 398.97 251.25 157.75 107.71 298.03 203.50 225.35 153.88 160.68 109.72 201.15 150.28

220.15 150.33 239.93 153.83

218.67 149.31 191.82 130.98

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0.6 2.18 202.29 193.17 131.99 150.53 170.12 203.07 165.92 173.01

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407.22 385.33 165.19 312.09 235.99 169.26 230.54 251.25

275.80 165.23 179.97

180.44 264.58 190.89

229.10

BANGKOK leapt 3.3 per cent, also backing the theory that the Bank of Thailand may cut interest rates. Banking, finance, energy and communication stocks were in demand as the foreign investors returned to the market, and the SET index ended 42.62 higher at 1.323.43 in brisk turn-

over of Bt12.2bn. This was the market's biggest rise since May of last year. Brokers said that the finance sector is expected to grow at about 30 per cent in 1996 as funds flow in for investment in

the region.
MANILA, too, noted renewed foreign interest on hopes of an economic pick-up as the composite index jumped 52.77 or shares. 2.05 per cent to 2,631.74 in Won8,00 1.94bn shares worth 1.77bn

JAKARTA's late, foreigntriggered buying came mostly in Telkom and some banking issues as the JKSE composite index rose 7.36, or 1.4 per cent to close 519.84.

Telkom led active stocks, trading in 5.8m shares as it rose Rp25 to Rp3,000.

SEOUL revised its index calculations to take account of dividend payments, and the composite picked up 1.9 per cent, rising 16.45 to 888.97 and led by gains in telecommunications and domestically oriented

Volume was thin at 9.5m

shares. Dacom gained Won8,000 to Won142,000, LG Information rose Won4,200 to Won75,200 and Korea Mobile Telecom added Won34,000 to Won617.000. WELLINGTON opened 1996

with a 2.5 per cent gain, the NZSE-40 index closing 53.04 ahead at 2,202.86, less than 25 points away from a 22-month high. Brokers said that the rise was bond-market driven, with increased attention in the afternoon from offshore investors attracted by the yields offered by New Zealand equi-

SHANGHAI and SHEN-ZHEN's hard currency B shares were higher after China set out its first set of national

securities rules governing the issues, which brokers said would help to regulate the B market. Shanghai's B index rose 0.555 or 1.1 per cent to 49.227 while Shenzhen Bs picked up 0.83 or 1.4 per cent to

59.80. KARACHI fell slightly on position-squaring by small investors ahead of the strike called for today by the ethnic Mohajir National Movement. However, the KSE 100 index rebounded on rises in select blue chips, closing 1.46 lower at 1,464.94.

BOMBAY saw selective selling by domestic and foreign funds which pushed the BSE-300 composite index down 23.56 to 3.088.40.



The pharmaceutical group Bieffe Medital operates on an international level in the parenteral solutions and hospital supplies

Founded in Italy in 1958, the company has been widely grow-

ing in the main foreign markets: in Europe, thanks to a network of production sites, it exists in Italy, Spain and Switzerland while, thanks to its marketing and sales structures, it also exists in France, Belgium, Holland and Greece. Beyond these regions, Bieffe Medital is active in the UK, Ireland, Scandinavia, Eastern Europe (Poland, the Czech Republic and Slovakia, Hungary), North Africa (Algeria, Tunisia, Libya, Egypt), the Middle East (Jordan, Kuwait, the U.A.E.) and America (Venezuela, Ecuador).

A dynamic company always in expansion

Bieffe Medital in 1995 reached a yearly production of more than 60 million units of parenteral solutions, some for dialysis, and more than 30 million pieces of equipment for their administration, having developed its own technology, which is promoted and sold successfully all over the world (the most recent objective reached was in China, where the group entered into a joint venture with the State owned company Tranjin Amino Acid). The importance of foreign markets is continually growing: in fact about 60% of Bieffe Medital's sales are in the Italian Market while around 20% is realized in other European countries and the test in Latin America and Asia.

Unique products in the peritoneal dialysis field: patented the first bio-container not made in PVC The core of Bieffe Medital's business is products

Providing for dialysis: besides the production of specific solutions for hemodialysis and blood filtering,

the company has also patented "Clear Flex" the unique biocontainer for peritoneal dialysis not made in PVC, realized in more bio-compatible and ecological plastics.

After 5 years of research, Bieffe Medital presented "Clear Flex," a unique product that reduces possibility of risks of peritoneum infections, doesn't contain plasticizers and -being completely thermoresistant- permits sterilization at 121° C.

By virtue of its composition, "Clear Flex" is particularly appreciated in countries who care about ecology.

The company is moreover developing the urological products area: the most important product is urological irrigation sets based on one or more irrigation lines and systems for the collection of irrigation liquids. The Surgery Division - whose main product is a flexible endoluminal stapler- and the Pharma Division - that produces aminoacid solutions and anesthetic products- complete the range of products.

Research and development: a strategic sector

for Bieffe Medital's production Research plays a key role in the strategies of the company that in 1995 has heavily invested in R&D: the Engineering and Business Development Division objectives are studying new products, refining production technics and providing assistance to licensees; the company can also supply technology for the construction of new plants, and is also able to furnish all the instruments and training personnel required.

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